Austria Sch22	Indonesia .. Rp3100	Portugal Esc100
Bahrain Dm0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore .... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus CE0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt .... E£2.25	Lebanon ... $L125.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg .. LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong.... HK$12	Netherlands... Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,372 Monday October 26 1987 D 8523 A

Nicaragua: A time for hands across the border, Page 5

World News

Jaffna main roads in army hands, India says

Indian army commanders say they have gained control of almost all main roads in Jaffna, Sri Lanka, from Tamil Tiger rebels after 17 days of fighting.

This ends the Tigers' three-year domination of the city, but the army still faces snipers, booby traps and mines. Page 22

Gatt funds running out

Gatt, international organisation governing world trade, is running out of funds and its director-general has called a special Gatt council meeting to seek authority to raise a bank overdraft. Page 6

Italy air strikes

Delays and cancelled flights plagued Rome's Leonardo da Vinci international airport as a series of strikes continued to make life difficult for air travellers in Italy.

Yugoslav riot

Anti-riot police have been sent to Yugoslavia's troubled Kosovo Province as tension grows between the area's Albanian ethnic majority and minority Serbs. Page 6

Refusenik to leave

Soviet Jewish dissident Vladimir Slepak, granted permission to emigrate to Israel after waiting 17 years for an exit visa, was due to fly to Vienna today with his wife Maria.

Tel Aviv bombs

Two bombs - one placed outside an apartment block and the other at a bus stop - exploded in suburbs of Tel Aviv but caused no casualties.

Demjanjuk trial

The Nazi war crimes trial of retired US car worker John Demjanjuk, 67 - charged with killing Jews at the Treblinka concentration camp - resumes today after a two-month break caused by one of the judges suffering a heart attack.

Jordan work permits

Jordan will stop issuing work permits to foreigners after the end of the year to alleviate its unemployment problem, said Mr Khaled Haj Hassan, Labour Minister.

Pakistan uranium

President Reagan's Administration now believes Pakistan is producing uranium of the grade needed for a nuclear bomb but is still determined to fight a move in Congress to cancel $4bn of US aid. Page 3

S Korean students riot

Riot police re-appeared on South Korean streets at the weekend to confront students engaged in the campaign to elect a new president under democratic reforms introduced last June. Page 4

Typhoon hits Taiwan

At least 26 people died and eight others were missing after Typhoon Lynn battered Taiwan, triggering landslides and heavy flooding.

Japan human chain

More than 2,700 people protested against night landing practice by US military planes at an air base in southwestern Japan by forming a human chain along the base.

Zimbabwe legislation

Legislation providing for the election of an executive president will be tabled in the Zimbabwe Parliament tomorrow. Page 4

Food aid destroyed

Eritrean guerrillas have attacked a convoy and destroyed 16 lorries of the charity Band Aid loaded with food for starving people in Ethiopia's Tigray province.

Doctor canonised

Dr Giuseppe Moscati, an Italian who devoted his skills to curing the poor and who died in 1927, has been declared a saint by Pope John Paul II.

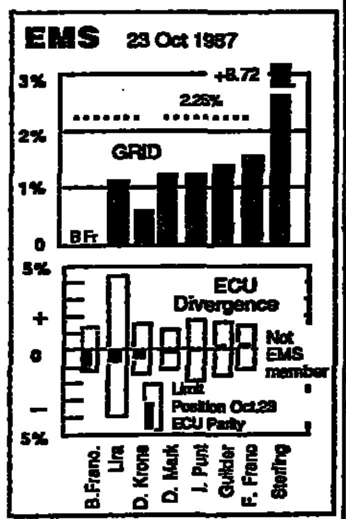
Business Summary

Banks meet to review Brazilian debt status

BRAZIL'S leading creditor banks met over the weekend in last-minute efforts to thrash out a deal before a key meeting of US banking regulators which begins today. They are expected to discuss downgrading Brazil's debts to "value-impaired" status, a move which would force new losses on US banks and worsen the chances of ending Brazil's suspension of interest payments on its $68bn longer-term debts. Page 22

EUROPEAN Monetary System: Currencies in the EMS showed little overall change on the week as attention tended to focus on the sharp fluctuations in equities and bonds. The D-Mark was unchanged against the dollar until a late fall by the latter on Friday afternoon. However this was not sufficient to place any renewed pressure on the weaker members of the system.

The Belgian franc was equally unaffected by the resignation of the Belgian Government. The French franc remained the strongest currency, followed by the Dutch guilder.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself a basket of European currencies.

FINSIDER, Italy's public-sector steel company, has presented trade unions with the outline of a radical restructuring plan that would axe 25,000 jobs over the next three years. Page 6

TRIANGLE, world's largest packaging company and based in the US, has received a $625m cash offer from its president and chairman for the shares they do not already hold. Page 23

NORTHERN TELECOM and AT&T, which dominate the North American telecommunications equipment market, are to challenge each other for the supply of large telephone exchanges to British Telecom. Page 11

BEAR STEARNS, Wall Street securities trader, is examining legal remedies against Jardine Matheson, Hong Kong trading house, for withdrawing its $390m offer to buy 20 per cent of the firm. Page 24

CHRISTIANIA BANK, Norway's second largest bank, saw operating profits fall 20 per cent to NKr727m ($109.7m) on group earnings of NKr42.58 a share in the first eight months of the year. Page 24

MATTHEW BROWN, British brewer, predicted a 13.5 per cent rise in pre-tax profits to £10.9m ($17.9m) in the year to next September. The forecast was released in an effort to prevent Scottish & Newcastle Breweries from securing victory in its £186m takeover bid. Page 26

OSAKA SANSO, Japanese industrial gases group in which BOC ofthe UK has a controlling position, announced pre-tax profits of Y746m ($5.2m), a rise of 30.2 per cent in the six months to September 30. Page 24

PERU Government looks set to take over five more banks after an unexplained delay in the nationalisation plan. Page 5

Shultz rules out further arms concessions for sake of summit

By Lionel Barber in Washington, Quentin Peel in Brussels and Patrick Cockburn in Moscow

MR GEORGE SHULTZ, US Secretary of State, said yesterday that the US would not make further arms control concessions for the sake of holding a summit meeting between President Reagan and the Soviet leader Mr Mikhail Gorbachev.

In Brussels, West European foreign ministers briefed by Mr Shultz at the weekend expressed no more than routine disappointment at the failure to agree on the date of a US-Soviet summit during last week's negotiations in Moscow.

They were far more enthusiastic about the obvious progress made towards finalising the Intermediate Nuclear Forces (INF) treaty, and on strategic arms limitation.

Mr Shultz, speaking on NBC television, suggested that Mr Gorbachev's decision to back away from an earlier written commitment to sign an accord banning medium and shorter-range missiles this year appeared to be a last-minute negotiating tactic.

"We have to stay on our course, and not allow anyone to turn a meeting, important though it may be, into a bargaining chip of some kind to get something more for it," Mr Shultz said.

But he warned that, with a presidential election coming up next year, time for a summit was running short. "...there's only a finite amount of time and only a finite amount of patience with all this."

President Reagan said in his weekly radio address on Saturday: "We're in no hurry, and we certainly will not be pushed into sacrificing essential interests just to have a meeting."

Last Friday, Mr Gorbachev refused to fix a date for a summit, linking a meeting to the resolution of outstanding differences on the Strategic Defence Initiative (SDI), the US partially space-based anti-missile defence system.

There was palpable disappointment among senior Reagan administration officials after Mr Gorbachev's last minute switch.

Senator Sam Nunn of Georgia, the influential Democrat chairman of the Senate Armed Services committee, said that Mr Gorbachev had made a "fundamental mistake" in playing the summit card to wrest arms control concessions from the US.

Senator Nunn also warned President Reagan that it was in the interests of the US to open negotiations on SDI and the definition of the 1972 ABM Treaty. "If we are to reduce our offensive weapons, we need to know what limits the Soviets are putting on their defensive systems."

President Reagan's national security adviser, Mr Frank Carlucci, said yesterday that Mr Gorbachev had deferred a summit meeting because of divisions over SDI.

Mr Carlucci said on ABC news that President Reagan would not allow the Soviets to set limits on the research, testing and development of the SDI programme.

"We've made it very clear to them in Moscow that the President was determined to proceed," said Mr Carlucci, a senior member of the US negotiating team, adding that the Soviet renewal of demands to link the SDI issue to cuts in long-range ballistic missiles was "not acceptable."

In Brussels Sir Geoffrey Howe, the British Foreign Secretary, blamed Mr Gorbachev for producing "a last-minute obstacle of his own making" to delay the promised summit.

He said it was not clear that Mr Gorbachev was setting any specific conditions for holding a summit, but simply that he felt "uncomfortable" with the idea.

Continued on Page 22

Dangerous tactic, Page 4; Editorial Comment, Page 20

George Shultz: "stay on course"

Hong Kong unveils $256m rescue plan for futures brokers

BY DAVID DODWELL IN HONG KONG

THE HONG KONG Government yesterday unveiled a HK$2bn ($256m) scheme intended to rescue brokers facing bankruptcy as a result of speculative activity on the local futures exchange.

The support package was announced by Mr Piers Jacobs, Hong Kong's Financial Secretary, prior to this morning's reopening of both the Hong Kong stock and futures exchanges.

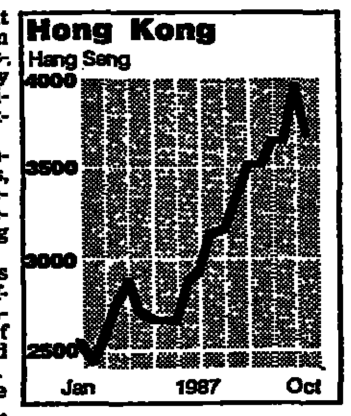
Trading on both exchanges was suspended last Monday after the Hang Seng equities index recorded a record loss of 420 points to close at 3,362 amid turmoil on world stock markets.

Mr Jacobs also announced the resignations of Mr Ronald Li, the founder-chairman of Hong Kong's unified stock exchange, and Dr Kim Cham as deputy chairman and chairman respectively of Hong Kong's futures exchange.

Mr Wilfrid Newton, the chairman of Hong Kong's mass transit railway corporation, was named as the exchange's new chairman. Mr Philip Thorpe, a senior employee of the securities commission which regulates Hong Kong's futures market, was seconded as the exchange's chief executive.

The appointments were seen as a first step towards tighter government supervision of the futures exchange, with tighter control of the stock exchange perhaps to follow.

The HK$2bn support facility, drawn up on advice from Hambros, the UK merchant bank, over three days of intensive negotiation, paves the way for the re-opening of Hong Kong's exchanges after their week's closure.



ON OTHER PAGES

Markets in turmoil, Page 2; Editorial comment, Page 20; Big Bang poll results, Page 22; Lex, Page 22; US broker examines Jardine retreat, Page 24; World stocks, Page 41; Currencies, Page 44

Mr Jacobs fiercely defended the decision to suspend trading from strong domestic and overseas criticism, arguing that the territory's unique political and economic circumstances left it exposed last Tuesday morning to an awesome collapse.

"I suggest that if we had not acted to suspend trading a week ago, there might have been a different kind of press conference going on tonight - given by men in green caps," he said. The comment is the clearest indication yet of Government fears that Peking would move swiftly if it felt that a political or economic crisis was running out of the colonial administration's control.

The lifeboat package has been drawn from three main sources. A group of 10 leading stockbrokers have each contributed HK$50m. This has been matched by banks acting as guarantors to the futures exchange - which include the Hongkong Bank, Standard Chartered, Credit Lyonnais, Barclays and Chase Manhattan.

This aggregate HK$1bn is to be matched by a government facility from the exchange fund.

Other weekend moves aimed at buoying market sentiment included a 1 percentage point cut in the local prime rate from 8½ to 7½ per cent, and the early publication of excellent September trade figures.

Stockbrokers nevertheless warned yesterday that prices should be expected to fall steeply. They said continued volatility on Wall Street on Friday had failed to restore confidence sufficiently to preclude a local collapse.

Many unit trust managers will be forced to sell shares to meet investor demands for redemption of units. Investors with exposure on the futures market will also have to sell equities to cover margin calls.

There was also concern yesterday that a number of stockbrokers had failed to meet the government deadline to settle all backlogged share transactions by the Saturday lunchtime. If these brokers are found to have been short-selling, then there have been warning reminders that this is a criminal offence which is likely to be prosecuted.

Wall Street counts the cost of collapse

By Anatole Kaletsky in New York

NEW YORK's financial markets today begin counting the cost of last week's market collapse.

The full extent of the financial damage on Wall Street will begin to show in the next 48 hours when trades made at the height of the panic must be settled under the normal five-day working day cycle. The market makers and brokers have ultimately to bear the cost of any unreconciled trades.

On the New York Stock Exchange the clearing-up process has been a weekend-long process and is still far from completed. The NYSE said it expected to open for business this morning with 'a normal book-keeping load' but reduced trading hours.

Other exchanges and brokers' back offices also worked through the weekend trying to clear up questioned trades and to avert potential trading errors. The National Securities Clearing Corp, the clearing organisation owned by the exchanges, estimated questioned trades rose last week to about 3 or 3.5 per cent of transactions from 2 per cent normally. But trading volume was running some two-and-a-half times heavier than usual so the number of disputed trades soared.

But the damage on Wall Street will probably turn out to have been small compared with the upheavals in the futures and options pits in Chicago.

Not only have dozens of individual market makers been forced out of business by the extreme volatility. Personal fortunes have been far more exposed than on Wall Street by the widespread practice among traders of supplementing their income by writing put options.

Continued on Page 22

Fed may not join bankers' efforts to support dollar

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

CENTRAL banks in Europe and Japan appear ready to step in if necessary to support the dollar on foreign exchange markets this week, but there are uncertainties over participation by the US Federal Reserve in any such effort.

Following the sharp fall in the US currency's value late on Friday, the central banks will be watching anxiously to see whether or not it comes under further pressure when foreign exchange markets open again today.

The official hope is that Friday's dollar sell-off will prove short-lived. Senior British Treasury officials pointed out yesterday that February's Louvre accord between the Group of Seven nations remained in place and that, despite the latest fall, the dollar's value against the D-Mark was still close to its level of eight months ago.

European monetary officials predicted a concerted response by central banks if markets threatened the accord.

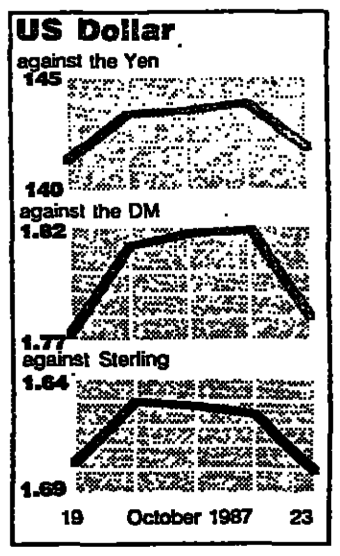
There were informal official contacts over the weekend on possible joint action, and European central banks will consult in detail this morning through their established telephone conference system.

The officials acknowledged, however, that they were uncertain as to the extent to which the Federal Reserve may be willing to support the dollar if it faces a renewed bout of selling. One senior European central banker commented last week: "What I am afraid of is that the US is not as willing as it is declared to be to defend the dollar."

The Fed has intervened on a number of occasions since Fruary to help stabilise the US currency, but at other times has not joined in concerted action. "The Fed has always been relatively unwilling (to participate)," another official said.

It emerged last week that the Louvre accord is not based on precise exchange rate bands for the dollar against other major currencies but on much looser understandings between central banks. This means that any decision to defend the currency depends on a shared perception that the agreement is under threat rather than on there being any automatic trigger points.

The monetary officials privately agreed that this general commitment could be tested by the foreign exchange markets following the sharp fall in US interest rates.



Peking plans the separation of party from government

BY ROBERT THOMSON IN PEKING

THE CHINESE Communist Party has produced a blueprint for political reform which is intended to separate the functions of party and government and to make officials more accountable to the people.

Zhao Ziyang, the acting general-secretary, delivering the opening address to the party's 13th congress yesterday, emphasised that the party must adjust to be relevant in a China changed by economic reform. He admitted, however, that further reform was "bound to meet with resistance."

Zhao's report was a cleverly crafted document of compromise. He was strongly pro-reform, and yet admitted that even the most modest political changes could take 10 years or more. He also paid his respects to conservative concerns about corruption, rising inflation and grain production.

The week-long congress opened with Deng Xiaoping, China's paramount leader, walking to centre stage at the Great Hall of the People to applause from delegates. An obviously ailing Chen Yun, 82, a senior conservative economist, took almost two minutes to shuffle the 20 metres to his seat beside Deng, symbolising the need for rejuvenation, a theme of the congress.

Before Zhao's speech, a few moments of silence were reserved for deceased party heroes, including Mao Zedong.

A serious problem for Chinese reformers has been to provide ideological justification for the pragmatic decisions made since reform was initiated nine years ago. Zhao claimed that China was in the "initial stage of socialism", which allows it to use some methods which appear to depart from socialist principles.

The address, intended as a summary of achievements since 1978 and a preview of future changes, included a warning that the quality of Communist Party members must improve. Some had been guilty of, among other things, "tax evasion, smuggling, bribery, extortion, and moral degradation."

A Western diplomat said the speech made up ground lost by reformers during a year which has seen student protests, the fall of the party chief, Hu Yaobang, and a major campaign against bourgeois ideas.

"It's not the sort of thing to get people out in the streets and cheering, but it will give confidence to reformers around the country," the diplomat said.

While the party began talking about separating its functions from those of the Government in 1980, the speech, which is now a key party document, for the first time produced a concrete series of proposals. Curiously, the delegates were told that party "cadres" should henceforth be known as "public servants."

Zhao said the separation of powers was necessary to cut bureaucracy: "It should be noted that the overstaffing, overlapping and unwieldiness of government organs, confusion of their responsibilities and buck-passing are major causes of bureaucratism."

China is to have two classes of public servants, the political and the professional. In principle, the role of the political will be limited to party affairs, while the professional, who must pass a new set of examinations, will be responsible for managing departments and enterprises.

However, economic reforms designed to give factory managers control at the expense of party officials have encountered serious problems and, in some respects, are not what they seem, since most managers are party officials. The time taken to introduce the new reforms and the breadth of genuine change will provide a measure of reformist influence within the party leadership.

Zhao profile, Page 3

CONTENTS

MARKETS IN TURMOIL

Applicants for BP shares cannot pull out

BY OUR ECONOMIC AND FINANCIAL STAFF

MORE THAN 30,000 applications have been received for British Petroleum shares. Even so, the £7.2bn share offer, due to close on Wednesday, now appears certain to be a failure because of the stock market collapse last week.

The 30,000 mark was passed on Thursday, only the second day the offer was open. If the pattern of previous privatisation issues were repeated, the bulk of applications would start arriving today.

This may well not be the case, considering the wide publicity given to stock market turmoil and the fact that BP shares closed at 287p on Friday, 43p below the 330p offer price and at least 20p below the price at which its partly-paid form still makes it attractive to institutional shareholders.

The Treasury made clear yesterday that any applications already submitted had passed the point of no return.

Sticking to the formula agreed by Treasury ministers last week, a spokesman said: "Applicants may not withdraw their applications and must honour their cheques on first *presentation.*"

The spokesman also re-affirmed that there was no question of the offer being delayed or extended. The Government's advisers have also dismissed suggestions that the Bank of England might buy the offered stock to relieve the downward pressure on the London market.

It is now widely accepted that most of the issue is going to end with the underwriters. The Government is now understood to be less concerned about the lack of response to the offer than the fear that large numbers of private investors could apply and then suffer losses in the after-market.

City economists foresee no world recession

BY RALPH ATKINS

THE SLUMP in world stock markets will probably not lead to economic recession, conclude City of London economists in a series of forecasts published at the weekend.

There is a consensus among securities houses that world economic growth will slow, but that the effects will be concentrated in the US. Other countries will benefit from an easing of inflationary pressures, falling interest rates and a possible improvement in the US trade deficit.

Mr Bill Martin, chief UK economist at Phillips & Drew, predicts a "mild reduction" in the growth rate of the UK economy, compared with forecasts made last week before the collapse in share prices. To offset this, though, the rate of inflation will be tempered by weaker world commodity prices and some easing of upward pressures on wages.

"The economy will emerge from the stock market crash bruised but not broken. Its performance will still compare favourably with that of other nations, especially the US," Mr Martin said.

James Capel, the brokerage, says it sees no reason to change its economic forecasts for this year or 1988, providing there are no dramatic international developments.

The report says shares form only a small part of consumers' wealth so falling prices should have no significant impact on consumer spending.

Mr Gerald Holtham, of Credit Suisse First Boston, argues that the slump has "clearly swung the balance of risk away from accelerating inflation in the world economy towards yet more anaemic growth or even declines in real output."

He says the odds are that the US economy will not go into recession although growth may be slow for six to nine months. He warns, even so, that further falls in share prices will increase the risks sharply.

For other countries, however, this slowdown may not be a bad thing. "It would restrain US imports, hastening the improvement in the US trade balance, and by banishing fears of overheating in the US economy, it would allow interest rates to decline there and abroad," says Mr Holtham.

Japanese place trust in domestic resilience

BY STEFAN WAGSTYL IN TOKYO

EVEN IN the grimmest hours of the consequences for the Tokyo stock market of the plunge on Wall Street, Japanese politicians, economists and stockbrokers were insisting that the strength of the Tokyo market would reassert itself after the panic.

Mr Kiichi Miyazawa, the Finance Minister, spoke for many in Tokyo, when he said on Friday: 'Stock prices may go up and down in a short range, but there are no worries in the long run. It is apparent that the Japanese economy is heading for a further upturn.'

This week, investors may well get the chance to see whether his prediction begins to look correct.

By the end of last week, the losses on Wall Street and in Tokyo were on the same scale.

The Dow Jones Industrial Average finished on Friday down 295.98 on the week, at 1,950.76. The Nikkei Index of leading stocks ended 3,067.96 lower at 23,298.78, which came after it had gained a modest 97.56 points in busy trading on Saturday.

However, there is an important difference. Wall Street is oscillating far below its record high for the year of 2,722 while Tokyo is within 15 per cent of its peak of 26,646. This was reached on October 14 – which seems like a lifetime ago in current markets.

Japanese economists say this divergence shows Tokyo is already poving itself to be the stronger market. They suggest this will also be the case once the global turmoil in equities has subsided.

It is easy enough to find reasons for this view: the Japanese economy is growing at a rate of 3.5 per cent a year, the currency is strong, interest rates are low and Japanese companies are expected to announce a bumper crop of results in the current reporting season.

However, the Tokyo stock market was still a nervous place on Saturday, with thoughts about the long-term outlook a long way from investors' minds. There was no way to tell when Japanese investors might return to looking at the Japanese market without constantly worrying about Wall Street at the same time. It might be months before they have the confidence to do so. end

David Dodwell analyses measures taken to steady markets after a period of panic

Hong Kong exchanges awake to new era

AS FUTURES traders, fund managers and merchant bankers swept from an emergency meeting at the headquarters office of Hong Kong's futures exchange on Friday, only one merchant banker raised his eyes to the corridor of expectant journalists. "So much blood," he said, before fleeing onto the street.

Even this morning it will not be clear how much blood has been spilled in a market that was until a week ago the darling of Hong Kong's investing public. Estimates vary from HK$2bn to HK$5bn. *This may stretch to the* limit the HK$2bn "lifeboat" operation mounted by the government.

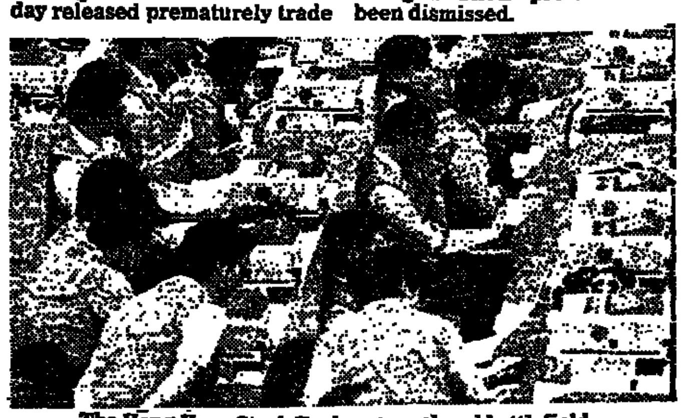
After five days of emergency consultation behind closed doors, the Hong Kong government has yet to reveal the arithmetic of the crisis, and if there is panic and pandemonium on both the Stock Exchange and the Futures Exchange this morning, there are many who say it is in large part due to two government blunders - first to allow the Stock Exchange Council to suspend trading last Tuesday, and second to keep the investing public in complete *ignorance of the crisis on hand.*

There is little doubt that the floor of the stock exchange will be a battlefield when it opens at 11.00 this morning. Mr Ronald Li, who remains Stock Exchange chairman perhaps only for the time being, has closed the public gallery to make sure the outside world cannot witness the carnage.

For the superstitious local Chinese any chance of a sedate opening was dismissed as typhoon Lynn swept in from the Philippines. Typhoons as late as October are extremely rare, and the coincidence of Lynn with the current securities in*dustry crisis is a fact of* inescapable forboding.

The government and the banks have, perhaps in vain, done all that they can to buoy the mood ahead of the opening. On Saturday, the Association of Banks cut a percentage point off prime lending rates. They now stand at 7.5 per cent.

The government on the same day released prematurely trade figures for September, which showed domestic exports steaming 28 per cent ahead of the same month last year.



The Hong Kong Stock Exchange: a closed battlefield

It would be facile to suggest that Hong Kong's securities industry will never be the same after the past week, but in many ways the shocking events triggered by the collapse last Monday of share prices worldwide appear to have brought into sharp relief the naivity of the claim that Hong Kong is one of the world's four most important financial centres, and may have prepared the way for changes that might begin to substantiate the claim.

It has highlighted the formidable power of a stock exchange committee that represents only the local stockbroking community and *its willingness to act in defence* of its own intertest.

Often in the past the international stockbroking houses and fund managers that account for three quarters of the share trading on the exchanges have complained of the fact that they have no voice on the committees that control these exchanges. Their protests have been dismissed.

It would be impossible to overstate the animosity that exists at the moment between many of the local and international stockbroking houses. Their polarisation *is* vividly demonstrated in the current futures exchange crisis.

When the Futures Exchange was suspended last Tuesday morning with the committee (many of whose members are also members of the Stock Exchange Committee) anticipating a slump from Monday's closing index of 3,362 to around 2,600, there were about 80,000 contracts open.

Of these, about 40,000 were "long", and almost all of these were in the hands of local brokers or the high net worth investors who make up most of their clientele. If they had been *pressed to settle their debts in* full after what would have been a two day fall of about 1,300 points in the Hang Seng Index, they would have had to find an estimated HK$2.6bn.

Not surprisingly they chose to suspend the markets. They then proposed to the government that settlement of Han Seng Index contracts on the futures exchange be completed at an artificial price of about 3,500, which would limit their losses, and force on those holders of about 40,000 "short contracts" a share of their loss.

What has emerged over the weekend is that about 80 per cent of these "short" contracts are in fact held by international insititutions who were arbitraging between the stock and futures market. The remainder were hedging long positions on the stock market in what they thought was a prudent move of protection against a market reversal.

The futures exchange committee proposal to force them to "share" losses triggered outrage, particularly among the most active arbitrageurs - James Capel, Vickers da Costa and Wardley. They protested that they stood to lose fortunes if the proposal was approved.

As arbitrageurs, they earn profits not out of the rise or fall of the markets, but on price differences that emerge between the two markets during the course of routine trading. It requires huge volumes of cash, but is regarded as a highly conservative form of equity investment, and is funded by banks on the assumption of hedges that limit risk.

The futures exchange proposal would not have prevented from "making a killing at the small broker's expense", which is what had been insinuated, but instead destroyed a carefully hedged position, left institu*tions who had been investing* carefully with unlimited exposure on the stock market, and undermined the basis on which bank financing had been obtained.

In contrast with the "David and Goliath" polarisation nurtured by local brokers, the institutions portrayed a group of inveterate gamblers trying to sidestep losses by shifting them over to prudent investors who were managing money for the thousands of small savers with savings in their unit trusts.

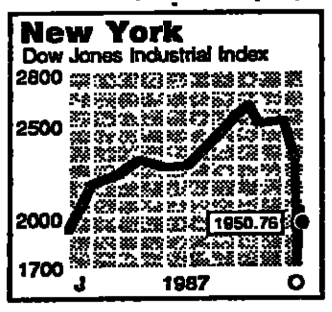
Not surprisingly, these institutions were threatening that all international credibility *would be lost if the futures* exchange proposal were accepted.

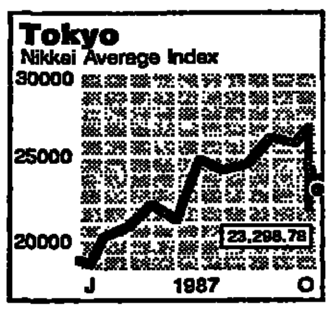
It was no surprise then that the government last night opted for the "lifeboat" solution - with 10 major stockbrokers putting up HK$50m apiece (making HK$500m), a group of banks matching this to make HK$1bn, and the government matching this again to make to total fund of HK$2bn.

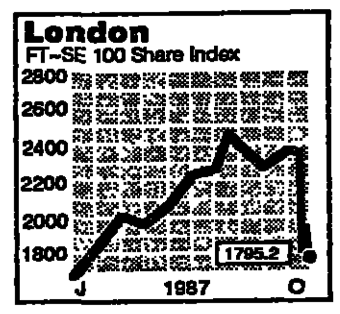
Those who are bankrupted today will be bailed out - and taken over - by the 10 institutions in the lifeboat.

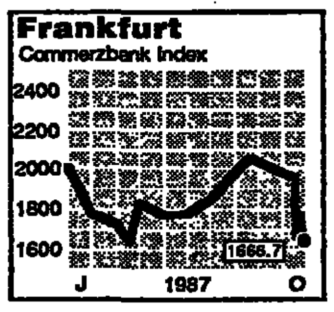
In addition, the appointment of Mr Wilfrid Newton, longtime head of the Mass Transit Railway Corporation, as chairman of the Futures Exchange, and of Mr Philip Thorpe, one of the most senior staff in the Securities Commission, as its new chief executive bears the unmistakable mark of a palace coup.

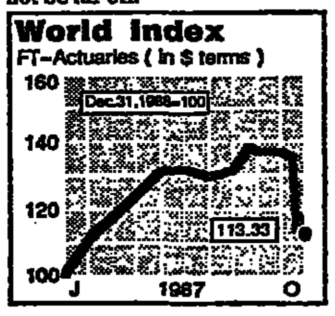
The tight group of local brokers who in the past controlled the futures exchange has been overthrown, and the securities commission - which has been in a state of permanent loggerheads with the stock exchange committee over the past three years - appears to have taken a first step towards bringing the two exchanges under tighter control. Committee changes on the Stock *Exchange itself* cannot be far off.











International equities markets dealt a heavy blow

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THE SUDDEN collapse of world stock markets has dealt a severe blow to the international issuance and trading of equities - a business upon which many investment banks had been pinning their hopes for expansion.

They have found the London-centred Eurobond market increasingly difficult to make money in. With banks from all over the world piling into it and aggressively seeking business, it had become grossly overcrowded.

Moreover, bonds have fallen out of favour as interest rates have risen, and dollar bonds in particular have suffered from the currency's fall. The performance of the Eurobond market last week suggested that it would not be an immediate beneficiary of the sudden improvement in bond prospects, with investors favouring more liquid government markets.

A number of leading Eurobond players, such as Credit Suisse First Boston, Deutsche Bank, Goldman Sachs, Merrill Lynch, Morgan Stanley, Swiss Bank Corporation International and Japanese securities houses, have consequently placed increasing emphasis on global equities - the distribution and trading of shares and equity-linked bonds outside the home country of the issuer.

Not only will they now face difficult times if they are still holding substantial amounts of recently-issued paper on their *own books - trading in the con*vertible bond and equity-warrant bond sectors all but dried up last week. They also face the prospect that a rapidly-expanding and profitable business which had been expected to be a principal plank of their growth may no longer be so, at least for some time.

New issue techniques for international share offerings were already a matter of debate in a market struggling to reconcile the contrasting customs of different domestic stock markets. Their experimental nature exposed the global market's infancy.

The primary market now faces the likelihood that the biggest ever internationally-distibuted share offering, the £7.2bn issue for British Petroleum of which perhaps £2.8bn will be placed abroad, will be a flop. So was the previous record-sized issue, the $2bn Fiat offering last year, though for *completely different reasons.*

New issue volume in most domestic markets is likely to be very slow or non-existent. What issuers there are may not want to risk marketing shares to international investors who may be very much an unknown quantity. When there are new international issues, there will be even more pressure to get the issuing technique right.

On the secondary trading side, the inter-linkage of share markets was clearly shown last week, as well as the importance of trading outside domestic markets. On Thursday, for example, Japanese shares dropped sharply during the London morning.

However, there were early signs that the first instinct of investors when the going gets tough is to sell foreign shares. Japanese bankers said that some institutions in Japan had been selling their foreign share portfolios and shifting their *money back to the markets they* knew best.

*If there are further severe ex*periences of "flowback" - sale back into the home country - issuers may increasingly question the value of marketing their shares abroad. This requires costly investor relations exercises.

However, there seems no reason why the market in internationally traded shares should not survive, since it is generally in those of the world's best-known and largest companies, and the technology is there to support it. But weaker stock markets will produce a trading volume which is unlikely to justify the heavy investment which many firms have made in dealers, salesmen, analysts and dealing systems.

The international equity market already faced severe obstacles in its development.

The challenge had been to establish the market on a firm enough footing - with an efficient technological infrastructure and both issuers and investors well accustomed to international business - before share markets fell. Clearly, international markets are here to stay given modern communications. But, there is a considerable risk that some of the investment in developing a global equities market may not pay off.

Small private investors take severe knock

BY CLAY HARRIS

BRITAIN'S small private investors have taken a severe knock to their confidence as a result of last week's collapse in share prices, according to fund managers and stockbrokers, but opinions are divided about whether they will remain in the stock market, sadder but wiser, or return to the safe haven of building societies.

A survey conducted on Friday for Broad Street Associates, the public relations company, also reveals that City professionals believe:

- two-thirds of stockbroking firms made a cash loss in the falling market;
- computers must be regarded with scepticism, and increased volatility is likely to be a permanent feature;
- the BP share offer is not a good buy for the private investor at the current market price; but
- the FT Ordinary index is likely to be higher than its present level - through a slow, steady rise - six months and a year from now, although not necessarily within three months.

Of the effect on private investors, one fund manager said: "Some will have cold feet about investing again short term - it will probably affect them for a year."

Black Monday - A Survey. Broad Street Associates. 30 Furnival Street, London EC4A 1JE. Free.

'Alarm bells for world economy'

The governor of the Bank of Italy, Mr Carlo Azeglio Ciampi, described last week's market crash as "alarm bells" for the world economy, but claimed: "A look at the real economy is more reassuring."

Mr Ciampi told foreign exchange dealers that, while the Italian economy was fundamentally sound, it faces the risk of renewed inflation.

Concern for the safety of securities houses

By David Lascelles, Banking Editor

AT THE height of last week's market chaos, Pru-Bache, the Wall Street investment firm, rushed out some advertisements proclaiming itself "Rock Solid" - a reference to its ownership by the Prudential Insurance Company of America, whose symbol is a rock.

A.B. Tompane & Co was less fortunate. This small independent market-maker which had survived the crash of 1929 was overwhelmed by the crash of 1987 and had to be rescued by Merrill Lynch.

The collapse of the investment markets has given rise to widespread concern about the safety of securities houses, and is certain to give fresh impetus to moves to strengthen the international supervision of the investment business.

Mr Robin Leigh-Pemberton, the Governor of the Bank of England, called earlier this year for an international agreement on the financial markets - similar to one which already exists for banks. Officials said, at the end of last week, contacts between the UK and the US would probably be intensified.

The view in official circles is that while the crash has so far claimed relatively few victims, the full stresses of the market collapse may not make themselves felt for some time. The upsets in the futures and options market seem the most likely source of fresh trouble.

Unlike banks, where central banks stand as lenders of last resort, securities houses have no formal safety net. However, in the US they are required by their regulators to maintain *minimum levels of capital.*

In the UK, new capital adequacy standards have been proposed as part of the arrangements for Big Bang. Though these have not yet been formally implemented, they are being applied in practice. Even so, the authorities are bound to inquire into how well the regulatory system coped, and whether the capital adequacy standards are high enough.

The financial position of securities houses and brokerage firms in the UK has changed radically in the last two years because of Big Bang. Virtually all the leading independent brokers and market makers have been bought by large banks and therefore enjoy much stronger backing than before. An exception is Smith New Court, a publicly quoted market-making firm, whose shares slumped last week because of feared trading losses, although it said it had made a profit over the trading account.

However, bank ownership of securities houses carries its own risks because of the danger that the failure of the securities subsidiary will damage confidence in the parent bank.

Although, some banks have separated their securities operations into compartmental*ised subsidiaries* from which they could theoretically walk away, the moral pressure to stand by them in loss-making times is strong. Because of this, the Bank of England has insisted on its right to supervise the securities activities of banks, even though they are legally the responsibility of the newly constituted Securities and Investments Board.

In the US and Japan, where investments and banking are separated by law, firms with powerful parents are the exception, though the large independent houses have capital running into the billions of dollars to cover losses, and capital adequacy rules are strictly enforced by the Securities and Exchange Commission.

However, the collapse of a major firm anywhere would disrupt markets, damage other firms, and harm banks who had lent money either to the business itself or to its clients.

The danger brought by the rapid internationalisation of the investment business is that foreign branches of a particular house may get into trouble and expose a regulatory "grey area". Who is watching over them? Who will rescue them?

The proposal made by Mr Leigh-Pemberton was for a so-called "*Basle Agreement*" for the securities business. The original Basle agreement was an attempt by bank supervisors to ensure that all banks, wherever they were operating, were supervised either by their home authorities or by their host countries. In practice, this happens already. The London operations of US investment banks will have to comply with the new Financial Services Act. The trouble usually comes from some unnoticed firm which has "fallen through the cracks".

Roderick Oram reports on the week when Wall Street looked into the abyss - and then the tide turned

How luck and nerve saved financial markets round the world

ONLY LUCK, nerve and rumours saved Wall Street and financial markets around the world from total collapse at a heart stopping moment last week.

Late on Tuesday morning, a towering tidal wave of sell orders, bigger than any during Monday's historic rout, crashed down on the New York Stock Exchange (NYSE). It seemed every last person wanted to sell out of equities. Buyers abandoned the market, pushing the exchange perilously near to paralysis and prices close to a free fall.

"We were looking into the abyss," said one of the market makers on the exchange floor.

Shortly before noon, Mr John Phelan, the NYSE chairman, hurried down from his office to the trading floor to consult urgently with three fellow directors - Mr Donald Stone, the exchange's vice chairman, Mr John Lyden and Mr James Jacobson. The three were specialists, as the exchange calls its market makers, struggling at their posts on the floor to find buyers to match stampeding sellers.

One by one across the football-pitch size trading area, specialists were being forced temporarily to halt trading in their stocks in a final drastic attempt to balance buy and sell orders. The number of halted issues was nearly 90 out of the exchange's 1,600 and rising rapidly. Almost all the 90 were the largest capitalisation stocks.

The four, searching for some refuge from the mob scene, ended up at a construction area, where the trading floor was being extended. Was it practical, Mr Phelan asked them, to keep trying to trade their way out of the crunch? Or was a total shutdown the only way to restore orderly markets?

At all costs, they wanted to avert a shutdown - last ordered moments after President Kennedy's assassination in 1963 - because they were acutely aware of the dire risks involved in last week's fraught atmosphere. Investors would panic, fearing if they did not sell as soon as the market reopened they would lose everything. But the volume of sell orders would dwarf anything to date. Indicated share prices would tumble as market makers tried to generate buyers to match the sellers. This in turn would only unleash further sell orders in a vicious spiral making it ever more impossible for specialists to resume trading.

Momentum was all. If trading had halted, "I honestly don't think we'd be open even now," Mr Lyden said on Friday.

> 'If it wasn't a meltdown, it was certainly as hot as I want it to be. I wouldn't want to be around if a worse one was coming'

Prolonged paralysis of the New York Stock Exchange would have rocked financial markets and institutions around the world.

Tuesday had started in the worst possible way. Voracious bargain hunters piled into the market after the historic 508 point, 22 per cent, drop in the Dow Jones Industrial Average the previous session. Stock prices took off like a rocket for a 200 point opening rally. Suddenly, profit-takers and those too scared to hold on started selling again, tipping prices into a screaming dive which obliterated the morning's gains.

Pandemonium broke out in futures pits across the country as investors tried to protect their portfolios by selling stock index contracts. *Futures prices* plunged to a huge discount to stocks equal, for example, to another 350 point drop in the Dow Industrials.

For specialists on the exchange floor and dealers in trading rooms around Wall Street, it was even more petrifying than the previous day's panic. Floor brokers mobbed trading posts, clamouring to sell *stocks at almost any price.* "The Apaches were climbing the walls," said one of the exchange's 400 specialists.

With barely a buyer a sight, specialists were reeling under the imbalance of orders. "We had our backs to the wall," said another specialist.

For Mr Phelan, a specialist for 20 years before assuming executive duties, his worst nightmare was coming true. He had long warned that financial futures and their trading techniques, interacting with stocks, could trigger in extreme circumstances an unstoppable downward spiral of futures and cash prices like a nuclear reactor meltdown.

"If it wasn't a meltdown," he said after Monday's 508 point massacre of the Dow, "it was certainly as hot as I want it to be. I wouldn't want to be around if there's a worse one coming."

He was on Tuesday as he conferred with his colleagues. They agreed to hang on moment by moment. Two specialists returned to their posts and the third went back with Mr Phelan to his office. There they resumed "very tense, thoughtful and deliberate discussions," as one participant described them.

"Ultimately, it was John's de*cision. He was standing alone.* There was a lot of pressure on him to close."

Relief came inadvertantly and unexpectedly from traders in Chicago's futures pits. Stunned by their financial losses onMonday and Tuesday and deeply embittered by the way many people around the world had made them and their financial futures the scapegoat for Wall Street's rout, they seized on rumours that the NYSE was about to shutdown.

Two minutes before noon, the Chicago exchanges ordered a halt in trading of stock index futures. Under their rules, the futures cannot trade if more than 20 per cent of the stocks making up the indices are halted. For some contracts, the limit was already breached so Chicagoans pulled the plug on the lot, believing the rumours that a total New York close was imminent. Other futures exchanges followed suit.

At a stroke, futures were removed temporarily from stock sellers' calculations. The Quotron screen in Mr Phelan's office began to show stock prices ticking up hesitatingly. "We looked at each other and said: 'We've got a shot at it'," one of the specialists said.

The tide began to turn. Pres*sure on investors let up.*

Tension eased further when word spread around Wall Street that some big brokers, notably Salomon Brothers and Goldman Sachs, were willing to buy whatever volume was necessary to reopen closed stocks. Panic also ebbed as more companies, with a big prod from Washington, announced they would buy back their own shares.

Most of the halted stocks resumed trading shortly after noon at higher prices than they had stopped. The rest of Tuesday's session was still rough. Although the Dow ended up 102 points, many other stocks fell. The 50 specialist firms on the floor ran up a total of $750m of losses on Monday and Tuesday, the exchange estimated. They probably recouped a little of that as volatility eased and panic ebbed through the rest of the week but it will take them months to fully work them off.

Many specialists have borrowed heavily from banks to tide them over. So far no firms have gone bust although one has had to sell itself to a big broker.

"Profit or loss is yesterday's news," said Mr Lyden. "You can make it back. Inventories are tomorrow's news." He and Mr Jacobson estimated that specialists holdings of stock on their own account had fallen by Friday to one-third or one-quarter of Tuesday's level, leaving specialists in good shape to take whatever the market throws at them this week.

What did they all feel when the bell signalled the close of Friday's session? "There was a tremendous sense of camaraderie," Mr Stone said. "It was as if we had been in combat and had avoided getting killed."

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. Tel: 75980; Tlx: 416193; FAX: 722677. © The Financial Times Ltd, 1987. FINANCIAL TIMES, USPS No 190642, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 44 East 60th Street, New York, NY 10022.

Pakistan 'producing high grade uranium'

By Robin Pauley, Asia Editor, in Washington

PRESIDENT Reagan's Administration now believes Pakistan is producing uranium of the grade necessary to build a nuclear bomb but is nevertheless determined to fight a move in Congress to cancel $4bn of US aid.

Mr Richard Kennedy, a roving ambassador and chief adviser on nuclear non-proliferation to Mr George Schultz, Secretary of State, said the Government now believes Pakistan has exceeded the 5 per cent uranium enrichment level needed for peaceful purposes on some occasions. US intelligence reports suggest that Pakistan is consistently enriching uranium well above the 5 per cent level although this year's forthcoming intelligence analysis on the state of nuclear weapons building is expected to again confirm that Pakistan has not yet put together a nuclear bomb.

"The ball game is lost when they cross the threshold and put together a weapon and explode one. That they have not done," Mr Kennedy said.

But some senior legislators are furious that Pakistan has lied to the US Administration about the level of its uranium enrichment. Mr Stephen Solarz, a Democrat Representative for New York, and Mr John Glen, a Democrat Senator for Ohio, are planning to bring legislation to the House of Representatives and the Senate to cut off all aid to Pakistan within six months unless President Reagan can assure Congress that the 5 per cent enrichment level is not being exceeded. The aid is already cut temporarily for technical US budgetary reasons but could be reinstated shortly unless the Glen-Solarz plan succeeds.

Mr Mohammad Khan Junejo, the Pakistan Prime Minister, said earlier this month that he will not give any further assurances to the US unless India, which exploded a nuclear device in 1974, does the same.

The US Congress has a nuclear non-proliferation policy which bans aid to countries which gain and utilise the abilities to enrich uranium to nuclear weapons grade. There are ways around the ban, Israel being a notable case of a country now accepted to have developed nuclear weapons capability while remaining a recipient of US aid.

The Administration wants to deal similarly with Pakistan, believing that Pakistan's policy against the Soviet occupation of Afghanistan and its provision of shelter to at least 3m Afghan refugees is a key regional issue requiring full US support and a more important foreign policy issue than the state of Pakistan's enrichment programme.

The aid package in doubt is $4.2bn over six years, representing about 20 per cent of Pakistan's aid income.

Mr Rajiv Gandhi, the Prime Minister of India, met Mr Reagan in Washington on Tuesday in what was seen as an attempt to improve strained relations. Mr Gandhi has repeatedly criticised the US for not acting strongly enough to stop Pakistan building nuclear weapons.

Robert Thomson on the man set to run the Chinese Communist Party

Premier Zhao: mysterious reformer

IN COMING days, Zhao Ziyang, the premier with a taste for Western food and philosophy, is almost certain to be put at the helm of the 44m member Communist Party of China.

The party's 13th congress, which opened yesterday, will appoint a new general secretary and if Zhao doesn't get the job, China will have changed direction again without the rest of the world realising. The position has been vacant since the sacking in January of Hu Yaobang, who was allegedly too autocratic and allowed the spread of "bourgeois" ideas.

A career Communist, Zhao steadily accumulated merit points in the provinces as an engineer of reform, and the combination of achievement and political skills should make him acceptable to most factions. His appointment will ensure that reform stays in place, but affirm that no radical changes will be made in the next few years.

Although Zhao is on public display more than most of his comrades, much about the 68-year-old remains unknown. We do know that he swims occasionally and jogs regularly, has five children and was himself the son of a landlord, an accident of birth held against him in 1967, during the Cultural Revolution, when he was paraded through the streets of Canton, dunce's hat on head.

The official biography omits large chunks of his life and Zhao has been reluctant to answer questions on "personal matters." He wears Western suits, though he finds neckties uncomfortable and his public statements suggest a sympathy for Western concepts of humanism, a sympathy he has been careful to couch in Marxist terms.

He has no grand plans for one Communist world: "China is a Communist country, but China's position is quite clear. We do not draw the line at social systems to differentiate between countries. The day of the big socialist family is gone forever. The day should come when no one is judged by a system alone."

The patronage of the paramount leader, Deng Xiaoping, has been crucial in winning for Zhao the respect of the People's Liberation Army, which has a deep devotion to and complex ties with Deng and his fellow Long Marchers, but less of a commitment to Zhao and his second generation of leaders.

Deng Xiaoping (left) and Zhao Ziyang at the the Chinese Communist Party congress yesterday

Zhao Ziyang made his name in China's most populous province, Sichuan, which he led out of famine and into relative prosperity during the late 1970s and inspired the peasant rhyming pun: "Yao chi liang, Zhao Ziyang" - to ease your hunger pangs, look to Ziyang. Sichuan became a model for reform, and Zhao a model reformer.

He has impeccable political timing and a talent for turning negative developments in reform into positive reasons for expanding reform. When an austerity movement was launched early this year as an attack on reform, Zhao blamed the lack of austerity on state-run enterprises and presented a coherent set of arguments to prove that broader reforms are the key to austerity.

He also successfully cooled a conservative campaign this year against "bourgeois liberalism" with a tough speech delivered at the height of a drive to widen that campaign. Zhao articulated the drive's harmful effects and used the ideological excesses of the conservatives to undermine their arguments against reform.

As a West European diplomat explained, the Chinese Communist Party is a brutal battleground and party members "do not get to the top just by being good administrators." Another diplomat suggested that Zhao has only become supremely pragmatic during his term as premier, as he has had to confront problems which had no remedies prescribed in Communist texts.

He has read widely and on meeting Mr Richard Nixon during a US visit in 1984, quoted extensively from the former president's book Leaders. Much of his confidence in handling foreign officials and in Communist Party meetings comes from background briefings by skilled support staff.

The growing confidence has allowed his wit to flourish. During a meeting last year with the Australian Prime Minister, Mr Bob Hawke, Zhao noted that several members of the visiting delegation were bearded and quipped that because Karl Marx had a beard, some people make the mistake of presuming that all bearded men were Marxists.

Zhao is a Marxist, though his rejection of traditional concepts and inability to find replacements other than a deep pragmatism, leave him open to criticism that he is ideologically weak. Zhao would argue that reform is "enriching" Marxism, but Communist conservatives argue that the eternal truths of Marxism cannot be enriched.

Interestingly, when asked about his prospects for the party post, Zhao has maintained that his talents are best suited to the premier's job. While his answer is part modesty and part deference to party procedure, there is substance in his words.

As premier, Zhao has been able to intervene at the highest level in political crises without paying too much heed to the party's ghosts. But as party boss, his role as a reform activist will be somewhat compromised in political infighting by his obligations to the party. For example, Zhao himself may be forced to lead campaigns against "bourgeois ideas" to maintain party harmony, though he finds such campaigns distasteful.

Zhao Ziyang has a vision of the ideal Communist very different to that of Mao Zedong, who attempted to refashion the Chinese character to produce revolutionary beings of a higher order. Zhao prefers giving individuals more room to develop themselves, a revolutionary concept for Communist conservatives fond of total control.

50 arrests in Tahiti after Friday riots

A CURFEW and a state of emergency have been imposed for the first time on the French South Pacific island of Tahiti after clashes between striking dockers and police, Mr Bernard Pons, the French Overseas Territories Minister, said on Sunday, Reuters report from Paris.

Speaking in a Television interview, Mr Pons said that about 50 people had been arrested in the capital Papeete after riots on Friday in which demonstrators burned shops and cars and 26 people were injured.

Residents on the island contacted by telephone from Paris said that calm had been restored on Saturday after six hours of fighting.

US television strike is settled

THE US television network NBC said on Saturday that a 17-week strike by 2,800 employees ended when two local branches of the broadcast employees union still on strike voted to accept a new contract Reuter reports.

The National Association of Broadcast Employees and Technicians (NABET) said earlier this week that a majority had voted to accept a management offer for a three-year contract, but said the strike would continue until all local branches ratified the offer.

A major issue in the strike against NBC, now owned by General Electric, was job security.

The decision to refuse a date for a summit with Reagan has come as a surprise to the US delegation. **Patrick Cockburn** reports

Gorbachev tries a dangerous tactic in pursuit of an ambitious goal

THE DECISION by Mr Mikhail Gorbachev, the Soviet leader, last Friday to refuse to set a date for a summit meeting with President Ronald Reagan to sign a treaty abolishing intermediate nuclear forces (INF) clearly came as a surprise to Mr George Shultz, the US Secretary of State, and his delegation.

Mr Gorbachev's aim is clear enough: he wants to use the leverage provided by an INF agreement and a summit to limit President Reagan's Strategic Defence Initiative (SDI). Agreement on this would in turn open the way for a 50 per cent cut in the Soviet and US strategic arsenals.

This could prove a dangerous tactic in pursuit of an ambitious goal. The levers provided by INF and a summit could snap if too much pressure is exerted by Mr Gorbachev. Agreement at the Reykjavik summit last year on a broad range of arms control measures was torpedoed by Mr Reagan's loyalty to Star Wars. There is little sign of his position changing.

Yet this does not seem to have been the message drawn by Mr Gorbachev from the positive results of the meeting between Mr Shultz and Mr Eduard Shevardnadze, the Soviet Foreign Minister, in Washington in September.

Speaking a few days later Mr Gorbachev said: "It is beyond doubt that the first results achieved a few days ago in Washington, the forthcoming meeting with the US President, may provoke a sort of peaceful chain-reaction in the area of strategic nuclear weapons and the non-deployment of weapons in space."

More relaxed

It was in pursuit of this "chain reaction" that Mr Gorbachev produced his surprise announcement last Friday.

A further reason for Soviet action could be that Moscow is now a little more relaxed about the threat posed by Star Wars. this in turn means that the Soviet Union can be a little more flexible on what the US can test than it could a year ago. Hence an agreement is more attainable.

When SDI was first unveiled by President Reagan in March 1983 the Soviet Union mocked the idea that the US could ever build an effective defence system against nuclear attack which could not be rapidly circumvented by the Soviet side.

The real Soviet fear was that SDI might, in association with an American first strike, be effective against a ragged Soviet retaliatory response depleted by such a surprise attack.

The very fact that weapons orbiting in space are immediately vulnerable to attack from the ground as soon as hostilities begin also fuelled the Soviet conviction that SDI only made sense if space weapons were used first in combination with a first strike.

More recently the Soviet attitude has sounded a little more relaxed. There is no change in the belief that sdi is an offensive system the deployment of which would rule out any agreement on limiting strategic weapons.the more effective system is as a system the more strategic nuclear warheads moscow would need.

But the technical difficulties facing SDI, congressional opposition and difficulties of funding are all making the system look more vulnerable than it did before. This in turn could make make Moscow more hopeful that a compromise could be worked out which would satisfy its fears but allow Mr Reagan to feel that he had defended his programme.

Slim chance

This chance looks slim today and Mr Gorbachev may have exaggerated the chance of a chain reaction leading to agreement on strategic weapons and ABM. But has the Soviet leader risked the gains already made? Could the momentum towards better Soviet-US relations stall or go into reverse?

This looks unlikely. the diplomatic dialogue between Moscow and Washington has steadily gained in strength since Mr Shultz and Mr Andrei Gromyko, the then Soviet Foreign Minister, met in January 1985. Even last week's abortive negotiations produced disappointment rather than friction.

The strength of US-Soviet detente in the 1980s is that it has a greater measure of public and political support than detente in the 1970s. Underpinned by a broader consensus it is less vulnerable to diplomatic successes and reverses.

Yet there are still dangers in Mr Gorbachev upping the stakes for a summit. Dialogue may be replacing confrontational attitudes and policies in Moscow and Washington but there is still plenty of competition between the two. The Soviet Union also knows that a disarmament treaty signed by President Reagan has the advantage of being probably invulnerable to attack from the right.

Most important, it was the two summits in Geneva and Reykjavik which have set the agenda and the tone of relations between the superpowers since 1985. If Mr Gorbachev does not go to Washington or President Reagan come to Moscow the relations between the two are likely to lose momentum and stagnate.

WEU ministers to set out charter on East-West security

By DAVID BUCHAN IN LONDON AND LAURA RAUN IN AMSTERDAM

FOREIGN and defence ministers of the seven-nation Western European Union (WEU)organisation meet today in The Hague to lay out their increasingly distinctive European approach to East-West security issues in a common charter or platform.

The WEU move represents the first serious effort to create a European defence identity within Nato since the mid-1950s, reflects a growing desire for a specifically European voice at a time of potential rapid change in superpower relations, and responds directly to Prime Minister Jacques Chirac's call last year for a European Security Charter.

Co-ordination of the European naval role in the Gulf, which has probably raised the public profile of the long-moribund WEUhigher in the past three months than in the previous three decades, will figure high on The Hague agenda, particularly when the seven defence ministers hold a breakfast meeting tomorrow. So, too, will the results of the latest US-Soviet negotiations in Moscow.

But the thrust of diplomatic negotiations, since WEU ministers last met in April, has been to produce a report on long-term European security issues. This stresses Atlantic solidarity with the US, but emphasises the peculiar vulnerability of Europe which must continue to depend on nuclear as well as conventional deterrence.

Britain, France, West Germany and the three Benelux countries are all ready to state this clearly and publicly at tomorrow's conclusion of the WEU meeting.

Only the Italian government has sought delay and dilution of the proposed "platform", which it fears would makes a forthcoming referendum on civil nuclear power and domestic political problems harder to manage.

By contrast, France is described by officials as having shown "extraordinary advances" in sinking some of its previous differences with allies in its quest for Mr Chirac's charter.

For instance, France has subscribed to the WEU report's call for "defence of allies to their borders",implying French readiness to move forward to help defend Germany on the Elbe.

Mr Wim van Eekelen, defence minister of the Netherlands and co-host of the WEU meeting, said this week: "The big question is whether France will put at the disposal of Western Europe its (nuclear) force de frappe. So far it hasn't". The UK nuclear force is already partially dedicated to Nato and thus to Europe.

Referring to Portugal's formal appplication to join WEU, and Spain's declared interest in doing so, Mr van Eekelen also said enlargement of the organisation should be considered later.

"It wouldn't strengthen WEU," he said. The concern of some of the seven WEU members is that new entrants from Iberia might dilute the largely pro-nuclear weapon bias of the group.

US attitudes to WEU appear to have shifted from negative earlier this year to positive, as, following discussions in WEU, the British, French, Italians, Dutch and Belgians have sent ships to the Gulf, and the West Germans have partially replaced these forces in the Atlantic and Mediterranean with ships of their own.

Airlines' profits plummet

By Michael Donne, Aerospace Correspondent

THE WESTERN world's air transport industry earned a net profit of only $100m on revenues of $87.9bn during 1986, compared with net profits of $800m in 1985 and $1.1bn in 1984.

Mr Gunter Eser, director-general of the 161-member International Air Transport Association, says in his annual report that such a low return means the world airline industry (outside the Soviet Union and China) "is still a long way short of being able to finance the investments it needs to make for its future growth".

On international services alone, the airlines earned an operating profit of $1.3bn on revenues of $45bn, but this was cut to a net loss of $200m after taxes, interest, and other items.

This loss in turn was offset by profits on domestic and charter operations, to produce the final total system outcome of the $100m. net profit.

Mr Eser, who will present his report to the annual meeting of the IATA in Caracas today, highlights two areas of major financial difficulty - rising fuel bills and the inability to recover earnings blocked by some governments, especially in the Middle East and Africa.

In many countries, government monopoly suppliers of fuel have been keeping costs artificially high. IATA pressures have resulted in cuts of up to $80m in such bills over the past year, but the problem remains acute as fuel prices internationally are now rising again.

On the "increasingly difficult issue" of blocked earnings, at end-August there was still $870m of the airlines' cash owing, again especially from the Middle East and Africa, even though IATA pressure in the first six months of this year achieved the release of some $229m.

Many of the debtor countries are oil-producers. During the period of high oil revenues they embarked on costly development schemes that they can no longer finance following the collapse of oil revenues. Such countries now find airlines' hard currency earnings a ready source of cash.

Mr Eser also stresses the need for the IATA itself to change its ways.

"The airline industry is rapidly moving away from the stable regulatory regime and market environment in relation to which IATA has functioned effectively for the past four decades.

"There is a clear and urgent requirement to adapt the association further to meet new demands and to emphasise an increasingly business-orientated approach", he declares.

S Korean police quell students

By Maggie Ford in Seoul

RIOT police reappeared on South Korean streets at the weekend to confront students engaged in the campaign to elect a new president under democratic reforms introduced last June.

About 2,000 students were dispersed with tear gas after a rally attended by 50,000 people and the two main opposition presidential candidates at one of Seoul's leading universities.

Also after the meeting, Mr Kim Dae Jung, one of the two candidates, led the students in a brief march which had been declared illegal by the government. Most heeded his appeal to disperse quietly and the rest were sent fleeing by about 1,000 riot police firing tear gas.

Students had been throwing firebombs at Mr Roh Tae Woo, candidate of the ruling Democratic Justice Party, as his motorcade was driving through Taegu, his home town, on the way to a rally on Saturday. This was the third time he has come under attack by demonstrators in the past week.

Concern is growing that the violence at campaign rallies, although minor, could provoke a reaction by hardliners against the efforts to introduce democracy.

Both main opposition candidates – with Mr Kim Jeng Pil, the contender associated with the former regime of President Park Chung Hee – held peaceful weekend rallies in various cities. Mr Roh and Mr Kim Young Sam emphasised their respective plans to end corruption, while Mr Kim Dae Jung promised that there would be no retaliation for past misdeeds by the present government if he were elected president.

Mr Kim Jong Pil added his voice to the growing anger over bias in the media, especially television, which is seen to favour the ruling party. All TV stations except one would be privatised if he were elected, he said.

Zimbabwe bill to set up executive presidency

BY TONY HAWKINS IN HARARE

LEGISLATION to provide for the election of an executive president will be tabled in the Zimbabwean Parliament tomorrow, as part of the revision of the country's constitution agreed eight years ago at Lancaster House.

The bill is to result in Mr Robert Mugabe, the Prime Minister, becoming president in place of the non-executive incumbent, Mr Canaan Banana.

This follows elections last week to fill the 20 vacant, previously white, seats in the House of Assembly. These seats will now be filled by representatives, black and white, elected by the remaining 80 MPs in the House. In the first round of these elections on Friday, all 20 candidates, including 10 whites, nominated by the ruling party ZANU-PF, were comfortably elected.

The 10 whites include six whose seats were abolished last month. They include no fewer than four former cabinet ministers in Mr Ian Smith's Rhodesian Front of the 1970s. One ZANU-PF nominee, Mr Bill Irvine, had the reputation of being a hard-line supporter of Mr Smith's policies of white domination.

Government MPs say they supported the former Fronters to demonstrate their commitment to Mr Mugabe's policy of reconciliation. However, Mr Joshua Nkomo, leader of the opposition ZAPU party whose candidates were heavily defeated last week, says the government is more interested in unity with the Rhodesian Front than with ZAPU. This bitter comment follows the collapse of unity talks between the two parties in April this year and the recent government offensive against ZAPU, which inluded closure of its offices.

The conversion of former Smith men to support of ZANU-PF, which is committed to the establishment of a one-party Marxist-Leninist state, has engendered cynicism about the future role and effectiveness of the new MPs.

There is unhappiness too in business circles at the election of the president of the Zimbabwe National Chambers of Commerce and the chief executive of the Confederation of Zimbabwe Industries as MPs. There is concern that this will jeopardise the independence of the organisations they represent.

Ten vacant Senate seats, also previously reserved for whites, will be filled by special election on Friday. Here the calibre of white candidates is regarded as substantially higher, with Mr John Laurie, a former president of the Commercial Farmers' Union, and Mr Denis Norman, who now heads the Beira Corridor Group, being cetain of places in the new senate.

Salinas drops election bombshell

By David Gardiner in Mexico City

MEXICO'S Planning Minister, Mr Carlos Salinas de Gortari, named earlier this month to succeed President Miguel de la Madrid, has publicly repudiated the ruling Institutional Revolutionary Party's (PRI) practice of monopolising elections, in an unprecedented if tacit admission that not all the 70-year-old regime's victories had been won cleanly.

Mr Salinas dropped this political bombshell on a carefully-chosen PRI rally at the end of last week in the northern border state of Sonora, scene of a win of Albanian proportions in 1985 governorship elections.

'Some northern states have seen party victories which have not satisfied the local people," the PRI's new standard-bearer said. Though he politely excluded Sonora from this group of states, Mr Salinas said it had to be accepted that the party had come out of these elections 'scraped', going on to argue that 'modern politics demands clean elections, and I reject the old thesis of 'the clean sweep'.'

Since the ruling party was formed in 1929 to unify and consolidate the hold on power of the victors of the 1910-17 revolution, it has won every presidential, senatorial, and gubernatorial contest and the overwhelming majority of municipal elections. Since the rigged 1940 presidential election, the PRI would have won most of these contests anyway. But rather than take risks it has preferred to foster an illusion of near unanimity.

The de la Madrid Government took office in 1982 promising clean elections. But after a string of defeats by the right-wing National Action Party across the north in 1983, it resorted once more to what is known universally here as 'alchemy' to face down opposition challengers.

Last July's bitterly disputed governorship election in the border state of Chihuahua, which provided ample *prima facie* evidence of irregularities, caused a national scandal. But the authorities took refuge in legislation which requires the opposition to prove fraud affected more than 20 per cent of ballots in order for the result to be annulled.

Mr Salinas last week pledged to honour opposition victories, and said his aim was 'not only to win but to make people believe in our victory."

This campaign looks set to be dominated by the issue of democracy, but also by what to do about the $103bn foreign debt and the future course of the country's economic development.

Mr Salinas' successor at Planning and his closest economic adviser, Dr Pedro Aspe, called last week for 'a reduction in the nominal value of the debt to its market value so that it is the debtors who capture all the discount.'

This apparently refers to recent suggestions by Mexico that it might use part of its $15bn reserves at a discount in the secondary market, where it is currently valued at around 53 cents on the dollar.

But beyond any specific mechanism for reducing the debt burden, Dr Aspe appears formally to have opened a wider debate on whether Mexico should be paying what some officials call 'double interest' on its debt, by paying full interest on capital the market itself values at half price.

Radiation death

The radiation leak in Goiania, central Brazil, claimed its first two lives at the weekend when a six-year-old girl and her aunt died of Caesium-137 contamination arising from the theft of radiotherapy equipment last month. Ten more victims are in a cricital condition.

Peru government likely to seize 5 more banks today

BY BARBARA DURR IN LIMA

AFTER AN unexplained delay of six days in its nationalisation plan, the Peruvian Government was expected to take over five more banks today.

Mr Francisco Pardo Mesones, president of the Association of Banks, and of Banco Mercantil, soon to be nationalised, said he believed the Government would act today but he did not intend to allow the state intervention team into his bank. He had promised to resist a takeover physically.

Mr Pardo has led the opposition to the Government's new law nationalising the private financial sector. Under the law, which went into effect on October 12, 10 private commercial banks, 17 insurance companies, and six finance companies are to be expropriated by the state.

After seizing Peru's two largest banks, Banco de Credito and the Banco Wiese, and a finance company nearly two weeks ago, the Government has paused in implementing the law. Its takeovers of the additional five banks, expected since last Tuesday, have been postponed in part because of the thorny legal battle being waged by bankers, some analysts said.

Last week, a judge ordered the Government's administration committees out of the two banks that had been seized, and declared the expropriations illegal. The Government refused to obey the court order, and replaced the judge with another, who nullified his predecessor's order.

Meanwhile, employees at the Banco de Credito, who had purchased a majority of their bank's stock, began a work stoppage. They refused to work as long as the state's administrative committee and a large police contingent were in the bank.

The Government has declared the stock sale to the Banco de Credito's workers null and void. Stockbrokers handling the transaction were unable to process the cheques for the sale because the Government refused to recognise the former owners' signatures.

President Alan Garcia's problems are multiplying on other fronts as well. Following strikes by civil servants, teachers and doctors, Mr Garcia announced wage increases of between 20 and 30 per cent. He also raised the minimum wage to 2,200 intis, from 1,710 intis, or to approximately $52 from $40 a month.

At the weekend, union leaders rejected the Government's increases as inadequate and said they would continue their strikes. One thousand teachers have dramatised their union's plea by going on a hunger strike.

The largest labour federation, the communist-led Confederacion General de Trabajadores del Peru, said it was considering another general strike.

Peter Ford in Las Manos, Nicaragua, looks at one step to national reconciliation

Families in balance of Central American diplomacy

SOON AFTER dawn, the two crowds approached each other, eyes sweeping the oncoming faces expectantly.

From the Honduran side of this normally deserted border post came thousands of Nicaraguan refugees, and Contra fighters. From the Nicaraguan side came tens of thousands of their mothers, fathers, aunts and cousins, hoping to find a relative.

Each Saturday for the past six weeks, as a step towards national reconciliation under Central America's new peace plan, Nicaraguans who fled the Sandinista revolution have come here in search of their family members who stayed.

"I didn't ask him anything, I just hugged him," said Mercedes Aleman of the first moment she set eyes on her son Tony since he left Nicaragua three years ago to avoid military service.

This was the first time Mrs. Aleman had come up from Managua to Las Manos for one of the weekly "encuentros", or "meetings". Tony had been coming hopefully each Saturday since the meetings began last month.

They were among the lucky ones this Saturday. More typical was Miguel Angel Gutierrez, a 55-year-old peasant farmer sitting disconsolately on a log by the roadside, scanning the swirling mass of passersby in vain for his sister.

The photographers, standing by their antiquated box cameras hoping to take happy snaps of reunited families, had few takers.

Propagandists, however, enjoyed a field day. Sandinista youth roamed the no-man's land distributing leaflets in praise of co-operatives. From the other side, Contra rebels swarmed among the crowd offering free tubes of toothpaste - in short supply in Nicaragua - while their leader manned a loud-speaker urging his fellow Nicaraguans to "rebel against the communist tyranny".

If no one rebelled on the Nicaraguan side, not many on the Honduran side came home, either.

"I left because I don't like communism, and while they (the Sandinistas) are still there, even if they change a bit, I'm not going back", explained Tony Aleman. His mother, weeping quietly, seemed resigned to his decision.

By noon, only one refugee had taken the Sandinista government's offer of amnesty, and returned. Sixteen-year-old Edelma Patricia Belvin, who went to Honduras a year ago "because I felt like it", had found "Honduras was OK, but it's not like living in your own country".

Managua hopes that Nicaraguans who come to Las Manos will persuade their refugee or Contra relatives to come home, but that has happened rarely.

Only 20 or so people have taken the amnesty each Saturday, according to the local Sandinista immigration officer. Mistrust of the Managua government runs deep among the refugees, and the outcome of the regional peace process appears too uncertain still to convince many of them that their exile is over.

Meanwhile, for the sixth Saturday in a row, Aurolila Molina wandered tearfully through the crowd, seeking out her daughter Maritza, who she said was kidnapped by the Contras three years ago while teaching in a remote rural village.

Mrs. Molina did not really expect to see her daughter. She is not even sure Maritza is alive. She came because Las Manos is her only hope, as it is for thousands of divided Nicaraguan families whose future hangs in the balance of Central American diplomacy.

Antilles future in doubt

By Raymond Hughes, Law Courts Correspondent

INTERNATIONAL business lawyers will meet in Amsterdam tomorrow to discuss the long term implications of the ending next January of the 40-year-old Netherlands Antilles tax agreement.

The agreement made the Netherlands Antilles the biggest offshore financial centre for foreign investors in the US.

In June the US Treasury Department announced that it was unilaterally ending the agreement at the beginning of next year. The decision placed in jeopardy $32bn of Eurobond investments and $11bn worth of other investments, mainly real estate transactions. Pressure from US and foreign investors exempted Eurobonds.

Tomorrow's meeting in Amsterdam has been called by the International Bar Association, the business law section of which regards the US Treasury's decision as "precipitate and taken without due thought of the international financial consequences."

Mr Madeleine May, the IBA's executive director, said that one of the main aims of the meeting would be to consider the drafting of future tax redemption clauses. The meeting would also discuss alternatives to the Netherlands Antilles treaty by relocation into the Netherlands, Switzerland or another tax haven.

No progress in talks on El Salvador

By Joseph Mann in Caracas

REPRESENTATIVES of the Government of El Salvador and Salvadorean rebel leaders ended three days of talks in Caracas yesterday with no agreements on any of the substantive matters discussed.

At the close of the meetings, held under tight security at a military base here, Archbishop Arturo Rivera Damas of San Salvador said the two sides had agreed only to continue talks in Mexico City between October 30 and November 4.

Spokesmen for the Government of President Jose Napoleon Duarte included Julio Adolfo Rey, Vice Minister of Communications and Culture, and Fidel Chavez Mena, Minister of Economic Planning. They said the rebels refused to discuss a cease-fire, an element viewed by the Duarte Government as an essential part of the Central American peace plan.

Leaders of the Salvadorean rebels, including Hector Oquely and Leo Cabral, said their side wished to discuss amnesty and greater democratisation of the Government prior to talks on a cease-fire. Observers at the conference said no progress was made.

Among the eight representatives of the Government of El Salvador were government officials, military commanders, and Alejandro Duarte, the son of President Jose Napoleon Duarte. Rebel leaders in Caracas represented the Democratic Revolutionary Front and the National Liberation Front.

Uruguayan unions call general strike

THE Uruguayan trade union confederation has called a general strike for November 10 to protest against President Julio Sanguinetti's economic policies.

The confederation said it will stage demonstrations around Montevideo on November 3 to press demands for an 18 per cent real wage increase. The government has announced an increase of 14 per cent, but said a larger rise would generate inflation.

OVERSEAS NEWS

Yugoslavia sends police to Kossovo

By Aleksandar Lebl in Belgrade

THE YUGOSLAV president has decided to send federal police units into the largely Albanian-populated autonomous province of Kossovo, in the far south of the country, to maintain law and order, admitting that local authorities have lost control.

The decision, announced yesterday, was taken a few days ago at a meeting chaired by President Lazar Mojsov, who left for Latin America at the weekend.

The federal authorities were reacting to intensified hostility from Albanian nationalists and separatists, and activity by Serbian and Montenegran nationalists.

The decision may be connected with the conclusion a week ago by the presidency of the central committee of the ruling Communist party that 'there is no place in the party for Mr Fadil Hoxha,' a former leading politician and an ethnic Albanian. It is feared that this could provoke either protest demonstrations by Albanians, who make up almost 80 per cent of the Kossovo population, or angry reaction by Serbs and Montenegrans, who have been accusing Mr Hoxha of being the main mover behind pressure for non-Albanians to leave Kossovo.

Finsider seeks to shed 25,000 jobs over 3 years

BY ALAN FRIEDMAN IN MILAN

FINSIDER, Italy's public-sector steel company, has presented trade unions with the outline of a radical restructuring plan that would axe 25,000 jobs over the next three years. This would represent a cut of almost one-third of the Finsider workforce, which stands at about 79,000.

The Finsider restructuring plan, which may go through several changes before it is finally approved, includes the lowering of output geared to markets where heavy losses are made, joint ventures with private sector steel companies, and a L5,000bn-L6,000bn (£2.5bn-£3bn) recapitalisation request to the government.

Most strikingly, however, the plan presented to union leaders in Rome on Saturday does not call for the closure of steel plants such as Bagnoli, the modernised and under-utilised operation that is among the most celebrated and controversial steel names in Europe.

The plan was revealed by Mr Mario Lupo and Mr Giovanni Gambardella, respectively Finsider president and managing director. Noting that Finsider is making losses of more than L100bn a month, the top managers reckon their plan would bring the group to break-even by 1990.

Plants such as Taranto Bagnoli and Campi would suffer the heaviest job cuts, but would continue to function. Finsider did not quantify the likely reduction in output resulting from their plan, but union leaders claimed the figure would be a reduction of around 2.5m tonnes by 1990. At present, annual output is around 12m tonnes a year.

Finsider made a L980bn loss in 1986 and given its current losses, described recently by the company as "unsustainable", a 1987 deficit of around L1,500bn is thought possible.

Finsider stressed at the weekend that the plan outlined to union leaders was only "preliminary" and would be finalised before the end of the year.

Reuter reports from Rome: Delays and cancellations of flights plagued Rome's main international airport yesterday as a series of strikes continued to make life difficult for air travellers in Italy.

Further work stoppages are expected today.

On Saturday, the Italian national airline Alitalia was forced to cancel 55 flights due to striking ground personnel, and that number was expected to climb to between 100 and 140 flights yesterday, according to airport officials.

A walkout by pilots and flight attendants that was postponed on Oct. 16 in solidarity with the 37 victims of an Italian airliner crash, was rescheduled for today.

Pay was a key issue in all contract disputes, according to officials.

Although the three main unions representing airport personnel agreed to suspend planned strikes this weekend until Monday, when the unions and government representatives are scheduled to reopen contract negotiations, small breakaway unions known as Cobas, or base committees, ignored the decision.

Labour contracts have also come up for renewal this autumn in Rome's urban transport sector, frequently disrupting service on buses, trams and subways.

Italian commentators said the recent increase in strikes by Cobas members – most recently by railroad employees and teachers – reflected disillusionment with the big, traditionally powerful unions as well as dissatisfaction with contracts.

Press commentators at the weekend complained of what they called irresponsible and politically motivated action by small groups of workers in the small unions.

Gatt may seek overdraft from bank

By William Dullforce in Geneva

THE GENERAL Agreement on Tariffs and Trade is running out of funds. Mr Arthur Dunkel, its director-general, has called a special Gatt council meeting for next Thursday, at which he will seek authority to raise a bank overdraft.

The basic problem is SFr12.5m (£8.4m) owed to Gatt by the US but other countries also have substantial arrears in their payments. Italy, for instance, has still to pay its SFr2.9m contribution for 1987.

On October 19, Gatt had only SFr2.67m available in cash, enough to pay the October salaries of its 350 permanent staff, but some SFr700,000 short of the sum required to meet commitments due on October 30.

Even if the immediate cash problem can be resolved, Mr Dunkel has told Gatt's 95 member-governments, further shortages will occur, unless a major contribution is paid by November 10.

Traditionally, Washington pays its share (SFr9.6m of a total 1987 budget of just over SFr61m) in the last quarter of the year out of the US government budget which starts on October 1.

Negotiations between the Reagan Administration and Congress over how to deal with the budget deficit have not been completed. As a result, most US government departments are operating without budget appropriations for fiscal 1987/88.

"At this moment on this particular issue (Gatt), we are paralysed," Mr Michael Samuels, Deputy US Trade Representative, said.

There was no question of the US deserting Gatt, he added. The organisation is currently conducting its trade-liberalising Uruguay Round, of which the US has been the main promoter.

The SFr2.9m US debt to Gatt on its 1986 budget arose from a problem over exchange rates in US domestic budgeting, which the US Trade Representative's office was trying to resolve, Mr Samuels said.

Late payment by Italy was also nothing unusual, an Italian official stated. It normally pays Gatt in October but has on occasion delayed until December.

Mr Renato Ruggiero, Italy's Trade Minister, told Mr Dunkel on Friday that he would try to speed up official procedures in Rome.

Among other countries with substantial unpaid dues to Gatt are Brazil (SFr1.5m) and Nigeria (SFr1.46m). Several African countries have debts dating back to the 1970s.

Protests at cuts in Austria

By Judy Dempsey in Vienna

THE AUSTRIAN GOVERNMENT'S chances to push through an austerity budget package for 1988 suffered a setback at the weekend after thousands of people joined demonstrations to protest against the cuts.

The 15,000 demonstrators – 40,000 according to the organisers – tried to march towards the Parliament where last week, Mr Ferdinand Lacina, the Finance Minister, presented the 1988 budget which is aimed to reduce the growing budget deficit by Sch 30bn (£1.5BN).

The plans involve a radical reform of the pension scheme, the introduction of charges for certain treatment in the national health system, reduction of the bureaucracy and cutting of child benefit allowances.

Mr Lacina intends to maintain the budget deficit at about Sch 75BN for 1987 and reduce it to Sch 69.8bn during 1988.

Poles loosen dollar policy

BY CHRISTOPHER BOBINSKI IN WARSAW

FROM THE beginning of next month the Polish state-owned PKO bank is to start purchasing dollar coupons from Poles at the free-market rate and thus to encroach on the hard-currency black market. The authorities have also announced they are lowering interest rates paid on Poles' hard-currency deposits.

The coupons are now issued by the PKO Bank against hard-currency deposits and are used for purchases in the state-owned hard-currency shops. The coupons have a street value of some ten per cent below the current free-market dollar rate.

The dollar is now worth Zloty 1,000 in illegal free-market transactions, compared to the official rate of Zl 295.

The PKO is to charge a 3 per cent fee. Poles will also be able to raise zloty loans at 18 per cent annual interest against security of hard currency deposits. Individual Poles will still have to raise hard currency abroad, or go to an illegal dealer, to satisfy their hard currency and dollar-coupon needs.

Until now, Polish banks have paid a top interest rate of 11 per cent tax-free on dollar, sterling, D-Mark and Swiss and French franc three-year deposits, coming down to 5 per cent on current accounts. Now, in line with World Bank suggestions, banks here are lowering interest rates.

WORLD ECONOMIC INDICATORS
FOREIGN EXCHANGE RESERVES
(US$m)

	Aug. '87	July '87	June '87	Aug. '86
US	14,556,000	13,472,000	13,902,000	16,810,000
UK	25,386,000	25,648,000	25,395,000	11,667,000
W. Germany	56,055,000	55,030,000	56,320,000	36,646,000
Japan	65,299,000	64,508,000	63,952,000	36,646,000
Belgium	7,463,000	7,238,000	6,919,000	4,500,000
Netherlands	12,519,000	12,240,000	12,069,000	10,590,000
Italy	16,301,000	19,271,000	20,635,000	18,761,000
France	28,615,000	29,061,000	29,149,000	31,003,000

Source: IMF

SHIPPING REPORT

Fears for Kuwait loading

BY KEVIN BROWN, SHIPPING CORRESPONDENT

USE OF heavy rockets against tankers loading in Kuwait led to speculation at the weekend that owners may prove increasingly reluctant to venture into the northern Gulf.

E.A. Gibson, the London ship brokers, said the escalation in fire-power and an increase in war risk insurance premiums could make Kuwait 'completely unattractive' at current rate levels.

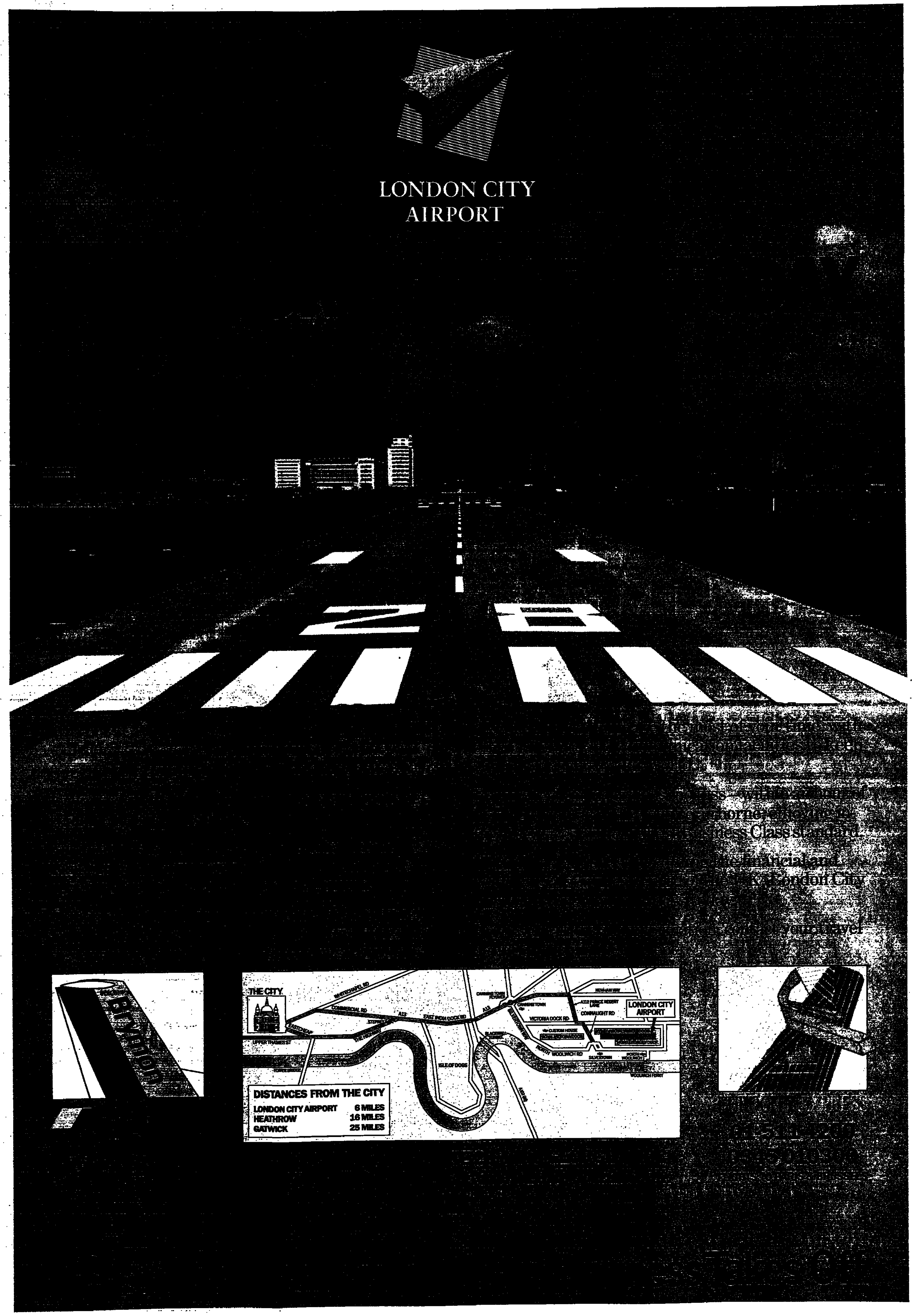
In the absence of an increase of 10-20 points in rates, charterers could be forced to meet their requirements from safer regions of the Gulf, where both cargo and vessel insurance premiums are less prohibitive, Gibson's said.

The free-on-board cost of this oil is higher than that from Kuwait, where big discounts are available, but the total delivered cost is more than competitive.

Brokers said conditions in the Gulf made it impossible to predict events in the short term with any sense of realism but they reported unexpectedly high demand for tonnage in the southern Gulf. This was welcomed by owneres of ultra-large crude carriers, some of which had been awaiting employment for some time. Four ULCCs were reported fixed for long-haul trips at Worldscale 39.

There was also increased demand for very large crude carriers and rates rose quickly. Among fixtures reported were Worldscale 53 to Singapore and Worldscale 51 to the Red Sea.

In the dry cargo markets, rates continued to move up steadily. On the key US Gulf-Japan route, rates reached $18 a ton and the Gulf-Continent rate moved up to $10.50.


LONDON CITY
AIRPORT
THE CITY
WHITECHAPEL RD
COMMERCIAL RD
A13
EAST INDIA DOCK RD
EASTCHEAP
THE HIGHWAY
UPPER THAMES ST
ISLE OF DOGS
CANNING TOWN
VICTORIA DOCK RD
CONNAUGHT RD
NEWHAM WAY
CUSTOM HOUSE
NORTH WOOLWICH RD
SILVERTOWN
WOOLWICH FERRY
LONDON CITY AIRPORT
DISTANCES FROM THE CITY
LONDON CITY AIRPORT 6 MILES
HEATHROW 16 MILES
GATWICK 25 MILES

UK NEWS

Richard Evans looks at the reasons for change in the attitudes of hard-left Labour local authorities

Town halls less defiant as rate-capping begins to bite

THE GOVERNMENT's agonised attempts to curb the esses of high-spending local authorities are beginning to bite at last. Two and a half years after the introduction of rate capping, even the most stubborn left-wing Labour councils are coming to heel.

Lambeth, under "Red Ted" Knight, perhaps the most recalcitrant of all, has just confirmed measures aimed at closing the huge budget gap of £60m in the next financial year, and Camden, Haringey, Hackney, Southwark and others have plans for painful retrenchment.

Cuts in jobs and services and increases in rents are inevitable across a large number of Labour councils. This time the squeals of pain are real.

The change in attitude has been forced on Labour local authorities for two prime reasons, the first being the third election victory in a row for Mrs Thatcher over the Labour Party.

In spite of specific warnings before the June election from Mr Neil Kinnock and other party leaders that there would be no blank cheque from a Labour government, council leaders reasoned that a Labour Environment Secretary would be much more sympathetic than the uncompromising Mr Nicholas Ridley, and at the very least would allow rescheduling of debts. They are faced, however, with Mr Ridley or his successors for four more years.

The second reason is that so-called creative accounting, a series of increasingly complex devices used to get round the Government's restrictions on capital and current account spending, is not the panacea it once was.

Many of the most obvious loopholes have been plugged and the money market has been warned off by declarations that the Government would in no circumstances stand by local authority debt.

So, in a series of moves of great political significance, local authority leaders, primarily in London, but also in other authorities that had sought to defy the Government, have ruled out further defiance. They see no point in following disbarred Lambeth and Liverpool councillors into pointless martyrdom.

The upshot is that many Labour leaders who continued to take the hard line of defiance have been ousted or forced into a minority within the ruling Labour group.

In Lambeth, a dozen left-wing councillors sought last week to rescind a savings package accepted last month. They were defeated by the majority and Lambeth will carry on with a recruitment freeze on 75 per cent of vacant posts, plus a series of other cuts.

At Haringey, a hard-left budget that would probably have led to surcharging of councillors, has been defeated and the leadership taken over by the "soft" left. A cuts package of £15m has been proposed to bring the council within this year's budget.

Nicholas Ridley: refused to rule out draconian powers

Similarly in Camden, eight rebels who voted against cuts were dismissed from committee chairs before a decision was taken to cut next year's budget to 80 per cent of this year's spending. There remains a gap of £53.6m next year to be bridged by other means.

The irony is that the moves, although caused by Conservative policies, will probably do Labour electoral prospects nothing but good. There is little doubt that Labour suffered badly in June because of the image of left-wing "loony" councils particularly in London. It was the biggest cross Mr Kinnock had to bear.

Now, with the soft left and moderates in the ascendancy, and value for money and efficiency taking precedence in Labour's political vocabulary over confrontation, this weight has largely been lifted.

The low point came in the spring when the independent Audit Commission, responsible for improving local authority efficiency, published a widely reported survey comparing sets of eight deprived boroughs, two in London and one in the provinces. The group of inner London boroughs, Brent, Camden, Hackney, Haringey, Islington, Lambeth, Lewisham and Southwark, all Labour-controlled, came out appallingly in virtually every respect.

The report helped by placing vital external pressure on the councils to start putting their own houses in order rather than simply rely on the chimera of an incoming Labour government to bail them out.

Nevertheless, the present position is that all but two of London's 15 Labour-led local authorities are in severe financial difficulties as they seek to balance their budgets for 1988-89. Only Hounslow, and Barking and Dagenham look clear of severe constraints.

Although councils such as Manchester and Sheffield have big debts and financial problems they have for the most part come to terms with the Government's edicts rather faster than many London boroughs. The exception is Liverpool, which still has a budget gap next year of more than £50m which risks becoming unmanageable.

Having rejected confrontation with the Government or resignation, the attitude of councils now is to do the best they can and impose the necessary cuts as painlessly as possible. There is no longer any insistence on protecting all jobs and services, although there is still a determination to avoid compulsory redundancies. "That's the bottom line now: no redundancies," a Lambeth official says.

Lambeth plans to save £19m in wages next year but through natural wastage and early retirement. Camden, also to shed 1,500 jobs, has circulated all staff with details of voluntary redundancy and early retirement schemes.

The need for cuts in services and staffing, rather than massive rate increases like those imposed this year by Ealing and Hammersmith, is shown in boroughs like Islington.

Margaret Hodge, Leader of Islington and of the Association of London Authorities, said: "For every percentage point we put on the rates we only get £145,000 bcause of the iniquitous penalty system." There was therefore no alternative to cuts. Islington

The changes have not been without trauma: violence flared in the council chamber at Haringey when left-wing demonstrators protested against spending cuts of £15m this year and £26.5m next year.

One way out for beleagured rate-capped councils in earlier years was to go to the Government to seek redetermination of their budgets because of hardship. However, this avenue has been effectively closed by Mr Ridley who has refused to give a pledge against using draconian powers in such circumstances to determine future spending patterns.

There is no alternative to harsh cuts in both services and staffing levels in many boroughs and the signs are that next year, when more of the delayed interest payments on creative accounting measures become due, the medicine will be even more bitter.

Mr Tony Travers, a specialist in local government finance at the London School of Economics sums up the situation: "There is a new realism coming through in London Labour government, much less threatening and much more prepared to compromise in the name of efficiency. The Government is winning its battle but it is killing off one of its best propaganda assets, the Labour left, in the process."

Councils may set poll tax start date

BY PETER RIDDELL, POLITICAL EDITOR

PROPOSALS to allow local authorities the right to decide how quickly to introduce the community charge, or poll tax, will be considered this week by senior ministers.

This follows widespread calls at the *Conservative Party* conference in Blackpool earlier this month for the immediate introduction of the charge in place of domestic rates, rather than the four-year phasing-in from 1990 onwards announced in late July.

Mr Nicholas Ridley, the Environment Secretary, said he welcomed these unexpected calls, since he had always favoured a short transition period.

A compromise proposal has been devised to allow local authorities to decide whether they want to introduce the charge in one go, or over four years.

There are, however, complicating factors associated with the redistributive framework in the rate support grant system, and with the proposals to allow *inner London boroughs to opt* out of the Inner London Education Authority.

The Treasury has also been strongly opposed to the rapid introduction of the new charge, on both financial and political grounds, and has favoured a lengthy transitional period.

This decision will be the final one before the bill on rates reform is published towards the end of next month.

A small, though prominent and vocal, group of ex-ministers and other Tory backbenchers has already made clear its opposition to the change, though government business managers are now reasonably confident about its passage through the Commons, with the main problems being in the House of Lords next spring and summer.

A warning shot will be fired this evening by Mr John Biffen, the former leader of the Commons, in a pre-recorded interview on the BBC's Panorama programme.

He says the charge will be "deeply resented" by a large number of Conservatives and he notes the quality of the opposition.

Mr Biffen argues that the new system must be just and "not one which bears more heavily upon the poor than it does on the rich."

Significantly, in spite of the general increase in support for the Conservatives in the opinion polls since the June general election, a Market and Opinion Research International survey in yesterday's Sunday Times suggests that 49 per cent of the sample oppose the new tax, against 37 per cent in favour. This represents an 8 per cent swing against the plan since June.

The same survey, taken last Monday, also points to opposition to a number of the Government's other legislative proposals on, for instance, housing and water authorities.

LEAPING AHEAD WITH UNLEADED.

Unleaded petrol is becoming the order of the day for more and more motorists in Britain.

And the company that is serving them best is Esso.

We were the first company to introduce unleaded petrol in Britain, opening our first pump in June 1986.

Since then, our national network of strategically chosen sites has steadily grown and is far larger than that of any of our competitors. By December 1987, there will be over 200 Esso stations offering Esso Unleaded.

You may ask, "What has this to do with me? My car can't run on it."

The surprising fact is that 40% of post-1985 cars can run on unleaded petrol with minor adjustments to their engines. Eventually, of course, all new cars will be designed to run on unleaded, which should be widely available in the UK and other EEC countries by October 1989.

For motorists, the changeover will probably raise a series of questions – which is why we've produced this page.

Alternatively, you can pick up the Esso Unleaded leaflets, including our Service Station Site Directory, at your nearest Esso station.

We hope that in this European Year of the Environment you will find them helpful.

1 Q. What is unleaded petrol?

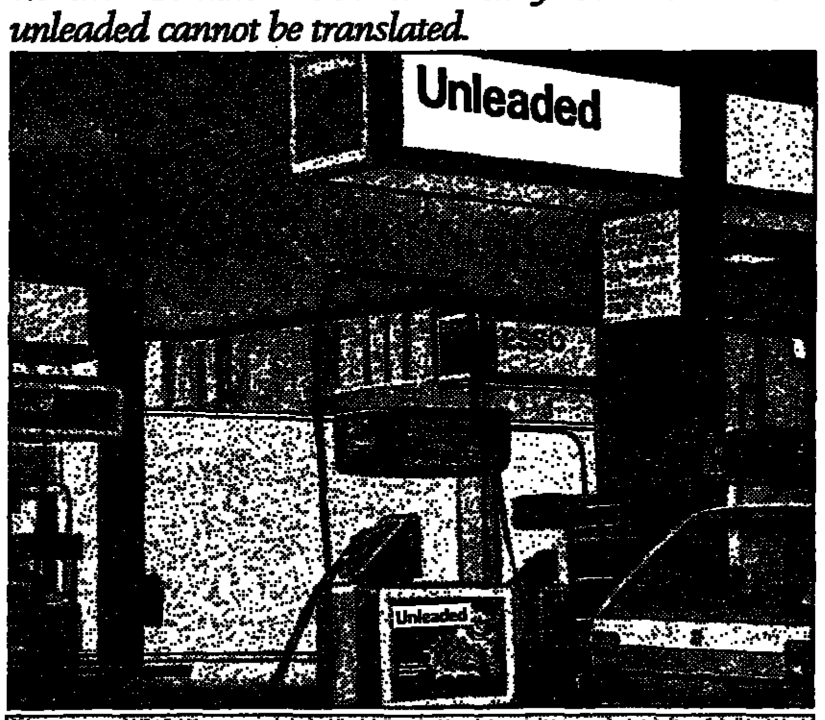
A. It is petrol to which no lead has been deliberately added.

2 Q. Why is lead added to petrol?

A. Small quantities of lead compounds can be added to petrol to increase its octane number. This allows the use of higher compression ratio engines with more ignition spark advance, which means improved engine efficiency and fuel economy. To replace lead we have to introduce more high octane compounds to compensate.

3 Q. What is low lead petrol compared to unleaded?

A. Low lead refers to the normal leaded petrol which is currently available. This is because the lead content was reduced in all petrol to 0.15g per litre on 1st January 1986 from its previous level of 0.40g per litre, in line with British Standard 4040. Unleaded petrol is allowed to contain up to 0.013g per litre which is why it cannot be called 'lead free', although on the Continent this term may be used where unleaded cannot be translated.



4 Q. Can I use unleaded petrol in my car?

A. The majority of cars in the United Kingdom have been designed to run on leaded petrol. However, nearly 40% of post-1985 petrol cars are now capable of running on unleaded fuel, although most will need some minor adjustments to allow this. Eventually all new petrol cars will incorporate the necessary modifications for them to run on unleaded. Before attempting to use unleaded petrol you should check first with your car dealer or motor manufacturer.

5 Q. What is a catalytic converter?

A. Although not legally required in the UK at present, a catalytic converter is a device that can be fitted to the exhaust system. When the exhaust fumes pass through the converter, emissions such as nitrogen oxide and carbon monoxide are burnt up or oxidised. Unfortunately, lead damages the catalysts, so they are only effective on cars already using unleaded petrol.

6 Q. Where can I buy unleaded petrol?

A. Esso were the first company in the UK to put unleaded on sale. And since then we have been increasing the number of our service stations that sell unleaded petrol. We have more stations selling unleaded than our competitors – and by the end of 1987 the number of sites will have risen to over 200. For details of where you can buy Esso Unleaded please pick up a FREE copy of our latest site directory from any Esso station.

7 Q. How will I know which pump dispenses unleaded petrol?

A. Esso Unleaded pumps are clearly marked UNLEADED and will usually have a small pump nozzle and identification cover marked UNLEADED on the nozzle.

8 Q. What happens if I inadvertently put the wrong fuel in my car?

A. Given the safeguards mentioned above it would be very difficult for you to do so. However, an isolated incident may not be too serious. Unleaded petrol used in an engine designed to take leaded, or leaded petrol used in an unleaded engine, could eventually cause damage to the engine.

9 Q. What about other petrol fuelled equipment, like my lawn mower and chain saw?

A. Some will operate successfully on unleaded. However, you should check with the manufacturer or dealer for specific advice and follow their recommendations.

10 Q. For how long will leaded petrol continue to be available?

A. Unleaded petrol will be phased in over a number of years. Therefore both leaded and unleaded will be available for a transition period which will be as long as the present product is required to supply today's cars.

11 Q. What happens if I take my car to the Continent?

A. Both leaded and unleaded petrol are available in Europe. There may be slight differences in unleaded to take account of local conditions, but this is unlikely to affect a car that can run on unleaded petrol.

Esso

Quality at work for Britain.

A MEMBER OF THE EXXON GROUP

UK NEWS

SICK LEAVE COSTING COMPANIES £5bn A YEAR

Absenteeism in Britain blamed on low motivation

BY JOHN GAPPER, LABOUR STAFF

THE COST of absence from work to British business is £5bn a year, and the factors most widely blamed for the UK's comparatively poor record are lack of motivation on the part of workers or their family responsibilities.

These are among the findings of a survey by the Confederation of British Industry which also reports that full-time manual workers have the worst attendance record, taking 11 days off a year against the 6 days taken by full-time white collar staff.

It also concludes that self-certification of sickness may have encouraged sickness absence in the form of a shift towards periods of absence lasting 4 to 7 days under the 1983 Statutory Sick Pay scheme.

The survey supported the idea that the rate of sickness increases with company size (see table) but found a fairly stable level of sickness absence in all sizes between 1983 and 1986, depite a slight rise in 1984.

SICKNESS ABSENCE RATES BY COMPANY SIZE (1986)

Number of employees	Manual	Non-Manual
	%	%
1-100	2.4	1.5
101-500	3.9	2.2
501+	4.6	2.5

Source: CBI Survey, Spring 1987

The survey, of 431 companies employing 1.2m people, found some regional variations in work absence, the non-attendance rate being highest in the north-west of England and the south, and lowest in the south-west and west Midlands.

The report containing the results argues that work absence "is often symptomatic of a general failure to abide by agreed rules of commitment, morale and responsibility within the workforce."

It also suggests some reasons for the UK's poor record - 11.8 per cent of full-time employees were found in an earlier study to be absent during a sample week compared to 5.9 per cent in France and 3 per cent in Germany.

Companies which believed they had a hidden "absenteeism" problem placed poor motivation and family responsibilities at the top of the list of factors responsible, along with unauthorised extension of holidays and drink-related problems.

They were also asked if they believed any factors had discouraged employees' absence in their businesses: 70 per cent of those which did singled out improved monitoring procedures. Thirty-five per cent cited fear of redundancy and the lack of available jobs elsewhere.

Around 58 per cent of companies replying said that the Statutory Sick Pay scheme did not create a significant administrative cost, but 94 per cent said they would object to an extension of the time period for self-certification.

Absence from Work; CBI, 103 New Oxford Street, London WC1A 1DU; £5 to members, £7 to non-members.

Unions warned on recruitment of part-timers

By our Labour Staff

ONLY 33 per cent of women who work part-time are members of trade unions, compared to 50 per cent of those working full-time, according to a report on new working patterns published today.

It also suggests that unless union recruitment drives aimed at part-timers - 90 per cent of whom are women - concentrate on issues such as child-care, parental leave and maternity rights, they will be unlikely to succeed.

"Part-time workers have been seen as having less interest in trade unions and a lower level of activism at the workplace," the report says.

Part-timers Under Pressure; by Jennifer Hurstfield, Low Pay Unit, 9 Upper Berkeley Street, London W1H 8BY; £3.00.

Rover workers vote on shares scheme

BY OUR LABOUR STAFF

A meeting of the workforce of Llanelli Radiators, Rover Group's component plant in Dyfed, Wales, is to be held today to seek backing for an employee share ownership scheme financed by Unity Trust, the trade union bank.

Provided that at least 500 of the 800 workers buy £500 (\$825) of preference shares in the company by November 6, a US-style Esop (Employee Share Ownership Plan) will be triggered, under which 25 per cent of the ordinary shares will be held in an employees' trust.

The Esop, the fifth to be made public in Britain, is expected by union negotiators to be fully backed by the workforce despite some potential misgivings prompted by fluctuations in the world financial markets.

"There must be some doubts, but I think they are intelligent enough to see the difference between speculating in shares and buying a stake in your future," said Mr Brian Johnson, chairman of the plant's joint union committee.

Those acepting the offer will receive 50 free ordinary shares, as well as their preference holding. Unity Trust has provided a bridging loan of £250,000 for the preference shares and another of £125,000 for the ordinary shares.

In the new company that has bought Llanelli Radiators from the Austin Rover Group, senior management will own 30 per cent; employees and the trust, 25 per cent; the Rover Group, 25 per cent; and Barclays de Zoete Wedd, 5 per cent.

North American groups seek BT exchange orders

BY TERRY DODSWORTH AND DAVID THOMAS

NORTHERN TELECOM and American Telephone and Telegraph, which dominate the North American telecommunications equipment market, aim to supply large public telephone exchanges to British Telecom.

This would put them in competition with the joint company being formed by the General Electric Company and Plessey to rationalise the manufacturing of System X, the digital exchange.

They would also be challenging Thorn-Ericsson, the joint venture of Thorn EMI of the UK and Ericsson of Sweden, which is undergoing some teething troubles in selling the Swedish company's digital exchange to BT.

Northern Telecom, a Canadian company which has recently taken a 27.5 per cent stake in STC of the UK, is expected to try to break into the BT network during the next stage of development of the City fibre optic system.

STC has been a major contractor on this project, designed to give the City a high capacity telephone network. Phase three is due to be finalised next spring, possibly in March, when it is anticipated STC will try to include the Northern Telecom exchange in its proposals.

Northern believes that if the bid is successful, it could then offer BT an exchange for the main public network. Mr Edmund Fitzgerald, Northern Telecom chairman, said it would be prepared to build an exchange factory in the UK if it were successful in selling its large exchange to BT.

AT&T, which has a partnership in Europe with Philips of the Netherlands, has a similar strategy of trying to use the sale of specialised exchanges to BT as a springboard for selling exchanges for BT's main network. AT&T-Philips has just received an exchange order for BT's Freephone service.

Since the announcement of the GEC-Plessey merger, a debate has started in BT about whether it will need a third supplier to maintain competitive pressure on GEC-Plessey and Thorn-Ericsson, although BT officials remain reluctant to introduce a third exchange technology into the network.

However, the STC-Northern consortium believes there is room for a third supplier because it claims the Thorn-Ericsson switch is expensive.

Thorn-Ericsson has just failed to win significant orders in the latest round of exchange orders from BT which normally awards four batches of orders a year.

Thorn-Ericsson won only a few extension orders in the latest batch. This follows its failure to win any contracts at all in the previous batch awarded in June.

Aggressive pricing by GEC and Plessey is believed to lie behind that failure.

Labour aim in election 'was to be second'

By Peter Riddell, Political Editor

LABOUR'S main advertising advisers admitted over the weekend that the party's primary objective during the general election campaign had been to come second and to relegate the Alliance to a poor third place.

Members of the advertising agency which advised Labour gave details of the party's strategy during a weekend conference at Essex University on political communications in the 1987 campaign.

Mr Chris Powell of Boase Massimi Pollitt said that at the start of the campaign Labour had "no chance of winning the election, but there was a danger of being written off and overtaken by the Alliance. Hence the first objective (top in a list of aims presented in a visual display) was to push the Alliance into third place."

This was to be achieved by keeping the Labour vote solid by emphasising social issues.

Labour advisers and strategists claimed that the party had achieved its aim.

There was general agreement among the strategists of all parties at the conference that the decisive factors were the general prosperity, the Tories' recovery of momentum in autumn 1986, Labour's loss of the Greenwich by-election and defence rows in spring 1987, and the Alliance's poor campaign.

Michael Cassell on the revolutionary mood among socialists meeting in Chesterfield

Frustrated left wing recalls radical spirit

NEARLY 2,000 left wing activists left Chesterfield last night, convinced that, to coin a second-hand political slogan, their time had come.

The two-day Socialist Conference, called in the wake of a Labour party conference alleged by a passionate and angry left to have surrendered to Thatcherism, was a forceful, if sometimes fretful, attempt to gather together the frustrated followers of radical socialism.

Dubbed by one Cabinet minister "an asylum for the antique, eccentric, extreme and the frankly raving", the Chesterfield meeting was, according to the organisers, staged to lay the groundwork for overturning the existing political order.

In particular, its target was a capitalist-based system which has certainly given its enemies cause for rejoicing in the past few days.

There was unrestrained glee at recent events in the world stock markets and the prospect of worse to come. The crisis was seen as the signal for a revival of the socialist struggle, with Chesterfield the rallying point for the final fight back.

The conference sponsors, which included the Campaign Group of Labour MPs, have been delighted by the impressive turnout and are determined to build on the weekend's events by organising further regional meetings and by holding another national conference next year, probably in May.

Before the conference began, Mr Tony Benn, the Chesterfield MP and one of the principal organisers, said he wanted to see it build a "mosaic and not a monolith of opinion" in which everyone had their say and everyone else listened.

His ambitions were, in part, spectacularly fulfilled, although his mosaic looked increasingly like a jigsaw with far too many pieces. Neither was everyone prepared to listen.

Among those attending and speaking were members of the Socialist Workers' Party, the Workers' Revolutionary Party, Militant Tendency, the Revolutionary Communist Party and the Young Communist League.

They were all equally contemptuous of Kinnock-style Labourism.

Alongside them sat trade union leaders, Labour MPs - the Campaign Group represents a quarter of Labour members at Westminster - former MPs and would-be MPs (some, like the tireless Mr Les Huckfield, fitting both descriptions) as well as several members of the party's ruling national executive committee.

There was plenty of ceremonial tearing up of party membership cards, although the inevitable question of forming a new party to carry the banner - an idea hastily sat upon by the organisers - rarely reared its head.

Delegates were told that they would have to vote Tory if they wanted to remain in line with Labour's leadership.

The conference hailed its heroes - like the late Samora Machel of Mozambique, the late Josef Stalin and the late, lamented Liverpool councillors.

Contemporary heroes were also well represented, with Mr Ken Livingstone, MP for Brent East, demanding that Labour take control of the "commanding heights" of capitalism, and Mr Bernie Grant, the black MP for Tottenham, claiming that the poll tax was racist.

The villains, who were hissed, included Mr Bryan Gould, who until last week thought share ownership was a good thing, anyone from Sellafield or the Special Patrol Group and that old class-traitor, Mr Ramsay MacDonald.

The Labour leadership, now off in search of its version of electable socialism, has attempted to distance itself as far as possible from the weekend's proceedings

The leadership's problem is that, while it may believe it has marginalised the forces of the hard left, the public's perception may continue to be somewhat different, given the active involvement at Chesterfield of numerous MPs and NEC members.

The problem for Mr Benn and his colleagues is where to go from here. Apart from further conferences, there is talk of electing an organising committee to help marshal the left, although the intention is to conduct the fight within the Labour party.

The big question is whether the success in tapping a rich vein of resentment against a revisionist Labour leadership - not to forget hatred of the Tories - offers a realistic basis for a cohesive movement capable of championing the cause of the radical left.

It might not take long before the euphoria triggered by this weekend's rally is overwhelmed by the complexity and scale of the challenge.

As one animated contributor to the proceedings yelled out: "There has been an air of unreality about this conference, as if we were on another planet." No doubt, Mr Kinnock wishes they were.

Owen ally criticises Liberals over defence policy

BY PETER RIDDELL

THE SPLIT within the Social Democratic Party is widened this morning with the publication of a pamphlet by a close ally of Dr David Owen, the former party leader, criticising the Liberals' approach to defence and urging a firm commitment to the Trident missile system.

The pamphlet, by Mr John Cartwright, MP for Woolwich, has been published not by the party, but as the third in a series of discussion papers by the Campaign for Social Democracy, which opposes a merger with the Liberals.

Mr Cartwright, a defence specialist, argues: "If Britain is to maintain an effective nuclear deterrent into the next century, it must be Trident."

The separate activity by the Campaign for Social Democracy has caused increasing argument within the SDP.

At the weekend the strongly pro-merger and anti-Owenite Welsh Council of the SDP approved a motion arguing that "any organisation or group that issues policy statements in the name of the SDP but independently of the constitutional policy-making processes of the party, or seeks to divert membership income from the national secretary, is a group whose purposes are in conflict with those of the SDP. Membership of such a group constitutes prima facie grounds for expulsion from the party." However, no such step is likely.

Higher pay award levels predicted

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE MAIN determinants of the level of pay awards in Britain all point to a further rise in the level of settlements over the next few months, according to a study published today.

The study by Phillips & Drew, the City securities house, forecasts that for the fourth quarter of this year deals in manufacturing are likely to increase from 5¾ per cent to 6 per cent. In services, settlements are likely to rise from 6½ per cent to 7 per cent.

This in turn would imply an acceleration in the pace of average earnings growth - which includes overtime, bonus and other elements in overall pay - to 8¾ per cent in manufacturing and to 8 per cent across the economy as a whole.

Economists at Phillips & Drew believe that the stock market collapse is unlikely to have any short-term impact on wage bargaining, although it might point to lower settlements next year as a result of slower economic growth.

For the next few months the study says a number of key factors in the wage bargaining process point to an acceleration in earnings growth.

Although the inflation rate is expected to edge down in the immediate future, most forecasters predict a further rise next year, a projection which is probably built into the employees' pay demands.

The recent sharp fall in unemployment and a parallel rise in the number of vacancies is likely to strengthen employers' need to retain and attract staff, a further factor pointing to higher settlements.

Wage deals will also be influenced by the sharp increase in the level of pay awards in the public sector over the past year. Earnings growth for public sector workers averaged 8¼ per cent in the year to August, and 1987-88 wage deals already agreed are expected to push that figure up to 8¾ per cent.

Finally, Phillips & Drew says that buoyant company profits will make it difficult for employers to resist high pay demands. For 1987 as a whole profits growth is likely to be more than 20 per cent.

Company finance options 'distorted by tax rules'

BY RICHARD WATERS

TAX RULES are distorting companies' financing decisions, the Confederation of British Industry says in a letter to Mr Nigel Lawson, Chancellor of the Exchequer, published today.

A series of out-dated rules inhibits corporate treasurers from using new financial instruments to tap capital markets, it says. Abolishing these rules is one of the steps it calls for in its annual submission on technical amendments for next year's Budget.

The CBI also complains strongly about the backdating of some tax rules in this year's Finance Bill, and about the growing tendency to make tax law by statutory instrument, which does not need the approval of Parliament, rather than primary legislation, which does.

The first of these developments potentially renders much tax planning pointless, while the second reduces taxpayers' ability to influence development of tax law, the CBI says.

The use of innovative financial instruments is being hampered by a number of rules, it says. These include:

- The incidental costs of arranging loans are deductible for tax purposes, while those arising from equity issues are not. This distorts the choice between debt and equity finance.
- Deep discount securities must be redeemed in full, rather than gradually over a period. To avoid the pressure this puts on cash flow, companies are forced to make a series of issues with different expiry dates.
- Certain types of "short interest" (interest paid more frequently than once a year) are not tax deductible.

In all, the CBI points to 50 details of tax law which it says handicap British business.

Technical Budget Representations 1988. CBI, Publications Sales, Centre Point, 103 New Oxford Street, London, WC1A 1DU. £5.

DTI investigates takeover defence mounted for AE

BY CLAY HARRIS

THE CONTROVERSIAL takeover defence mounted last year on behalf of AE, the motor components group, is being investigated by the Department of Trade and Industry.

The investigation affects at least Hill Samuel, AE's merchant bank adviser in the ultimately unsuccessful effort to resist takeover by Turner & Newall, the engineering and building materials group.

AE narrowly escaped takeover by T&N in September 1986 but succumbed three months later when a second bid was allowed by the Takeover Panel which ruled that Hill Samuel and Cazenove, AE's stockbroker, should have disclosed indemnity agreements with other shareholders which tied up a critical 7.2 per cent stake in AE during the first offer.

Sir John Collyear, former chairman of AE, said yesterday: "I am aware that they had made some inquiries." He confirmed that he had been approached by DTI investigators.

The Takeover Panel, however, is believed to have not been involved in the latest investigation, which was revealed in documents relating to the agreed acquisition of Hill Samuel Group itself by TSB, the banking and insurance company.

The DTI inquiry has been launched under Section 447 of the 1985 Companies Act, which allows investigators to require documents to be produced and to ask questions about them.

Unlike the inspectors involved in the present DTI inquiry into the Guinness bid for Distillers, being conducted under other sections of the Companies Act, the investigators do not have wide-ranging powers to question witnesses on pain of contempt.

The DTI conducts about 100 Section 447 inquiries each year.

The opening of an inquiry indicates that new information has been received since Mr Paul Channon, then Secretary of State for Trade and Industry, said in a parliamentary written answer on February 23 that information available about the AE bid did not constitute grounds for a DTI investigation.

At T&N's annual meeting in May, Sir Francis Tombs, chairman, forcefully rejected demands for a DTI investigation, denying that anything suspicious had taken place other than the matter already dealt with by the panel.

Economic regional divide 'to deepen'

By Hazel Duffy

THE NORTH-SOUTH economic gap will be even more marked by the year 2000 and the population shift from urban to rural areas will continue according to a report, published today by the Cambridge Econometrics Group.

The report divides the country into regions where economic growth is forecast to be swift - East Anglia, the south-west and the East Midlands; slow - the south-east, Yorkshire/Humberside, West Midlands, Scotland and Wales; and in decline - Northern Ireland, the north and the north-west.

The forecast assumes national growth of 2 per cent per annum, a continuation of Conservative policies into the early 1990s and unchanged tax levels overall.

Within the overall growth the disparities between the regions which have been increasingly apparent over the last decade will accentuate.

One marked change in regional fortunes will be the West Midlands, which is forecast to rejoin the southern region as part of the prosperous half of the country.

Regional Economic Prospects: Cambridge Econometrics and the Northern Ireland Economic Research Centre. Full report £750; short version £30.

FT/MIL RESEARCH GROUP POLL ON BIG BANG

REPORTS BY BARRY RILEY

Fund managers say change was worthwhile

AN OVERWHELMING majority of professional fund managers believe that Big Bang was worthwhile, according to an opinion poll commissioned by the Financial Times and conducted by MIL Research Group.

Big Bang, which took place one year ago tomorrow, is approved of by 76 per cent of the 120 fund managers polled. Only 13 per cent judge that the radical changes have not been justified.

Some 93 per say that their dealing costs have been reduced, and more than half also consider that the speed of response and liquidity of the market have improved and access to foreign securities has become easier.

On the other hand, 59 per cent of respondents say that their internal costs have been raised by Big Bang, and about half are troubled by the increased presence of conflicts of interest within the London stock market, although only about one in 10 has changed a broking relationship as a result of such conflicts.

The poll is a follow-up to a similar exercise conducted shortly before Big Bang. The fieldwork for this year's survey was conducted between October 5 and October 13.

Senior fund managers were contacted in 120 different companies, including 41 insurance companies, 20 investment trusts, 35 pension fund managers, 15 investment advisory companies and 9 unit trust groups.

MIL re-interviewed 94 of the same managers polled in 1986, and interviewed another 26 for the first time.

Some three-fifths of the respondents claim they deal regularly with fewer brokers than before Big Bang, but this is only partially confirmed by comparisons with last year's results.

The proportion of funds dealing regularly with less than 20 broking firms has risen only from 76 to 80 per cent.

Surprisingly, there seems to be no greater tendency for fund management companies to employ their own in-house dealers to cope with the new electronic dealing system.

In fact only 32 per cent compared with last year's 35 per cent say that their companies employ their own dealers.

This may be explained by a surprising persistence of the old agency broking relationship. Most business still appears to be conducted on the basis of commissions rather than as "net" trading directly with market makers.

A third of the fund managers say that less than 10 per cent of their dealings are conducted on a net basis. Only a quarter do more than 50 per cent of their business in this way.

This indicates that net trading has proved less popular than fund managers originally expected.

A year ago a third of fund managers polled expected to transact 50 per cent of their deals on a net basis after Big Bang.

DIGEST OF THE MAIN FINDINGS

How many brokers do you currently deal with?

Fewer than 10	14%
10-19	30%
20-29	25%
30-39	9%
40-49	9%
50-59	8%
60 or more	5%

How many brokers do you currently deal with regularly?

Fewer than 10	38%
10-19	42%
20-29	11%
30-39	5%
40-49	3%
50-59	1%
60 or more	–

Has the number of brokers you regularly deal with changed since Big Bang?

Increased	6%
Decreased	62%
Stayed the same	33%

Has your volume of dealing in foreign equities through London firms increased?

Increased	27%
Decreased	8%
Stayed the same	57%
Don't deal/ no comment	9%

Are you dealing to a greater or lesser extent with American firms?

Greater	43%
Lesser	2%
No change	43%
Don't deal/no comment	13%

Are you dealing to a greater or lesser extent with Japanese firms?

Greater	20%
Lesser	3%
No change	43%
Don't deal/no comment	35%

Does your firm currently employ in-house dealers?

Does employ	32%
Does not employ	68%

Has your volume of securities business changed since Big Bang?

Increased	83%
Decreased	1%
Stayed the same	15%

Has your cost of dealing been reduced?

Yes	92%
No	7%

Has your business been affected by settlement delays?

Yes	66%
No	33%

What percentage of your total securities business is conducted on a net rather than commission basis?

Less than 10	33%
10-24	24%
25-49	16%
50-74	16%
75-100	8%
Don't know	4%

Has the quality of research varied since Big Bang?

Improved	13%
Deteriorated	31%
No change	52%

What gains have been achieved through Big Bang?

Lower cost of dealing	93%
Improved speed of response	58%
Greater liquidity of the market	53%
Improved access to foreign securities	53%
Higher quality of service	25%

What losses have been experienced since Big Bang?

Increased internal costs	59%
Problems from conflicts of interest	50%
Loss of personal contact	45%
Impact of excessive regulation	37%
Lower quality of investment research	32%

Overall, was Big Bang worthwhile?

Yes	76%
No	13%
Don't know	11%

Why was it worthwhile?

Reduction in dealing costs	37%
Re-established London's international role	32%
It was "essential" or "inevitable"	24%
Brokers forced to compete more effectively	20%

THE RESPONDENTS

Type of fund management organisation

Insurance companies	34%
Investment trusts	17%
Unit trusts	8%
Pension funds	29%
Investment advisers	12%

Value of funds managed by each organisation

£0 - £199m	8%
£200m - £499m	14%
£500m - £2bn	20%
£2bn and over	58%

Less fun and more volatility among the main drawbacks

"IT WAS essential to internationalise," said an institutional fund manager. "If we hadn't had Big Bang we would have lost our business to Tokyo or New York," said another.

By a large margin, London's fund managers believe that the introduction of the Stock Exchange's new trading system on October 27 1986 was well worthwhile.

"It has increased efficiency and broken up what was essentially a cartel," said one of the respondents to MIL Research Group's survey. He added that although there was nostalgia about the old system, the disappearance of its paternalism and old school tie attitudes were not to be regretted.

But enthusiasm is not universal. "I do not object to it happening, it is just happening too quickly," observed a fund manager.

Others are concerned about the generation of unnecessary turnover in the market place. One of the few outright opponents of Big Bang had the prescience to comment, a few days before the market cracked on October 19, about the potential dangers.

"Big Bang has led to a volatile market. There is a liquidity problem and if the market weakened it could snowball down," he warned.

The frantic dealing activity was also criticised as irrelevant to institutional needs by a strategically-minded manager. "I cannot see what the average institutional investor has gained except in terms of commission. As long-term investors we only wish to acquire long-term stakes in businesses," he said.

The arrival of more broking firms from abroad is given a general but not universal welcome. The Americans, in particular, are welcomed for their enthusiasm and for building up good teams of analysts.

But the natives are not always friendly to the Americans. "They are incompetent and inefficient and totally alien. They are a menace in the City," commented one respondent.

Big Bang's favourable impact on the cost of dealing is widely acknowledged among the institutions, although not all are totally satisfied. "The dealing cost is lower but the actual share price is not necessarily as favourable as pre-Big Bang," said a sceptical manager.

Several were also conscious of the plight of the small shareholder. "To a large extent the private investor is being priced out of the game, asssuming he can even find a broker who can deal with him," was one view.

Elsewhere, problems have arisen on paperwork. A few institutions have escaped; but others have been forced to take avoiding action. "It has made me cautious of dealing with certain brokers," a manager said.

Views on brokers' investment research appear mixed. On balance, some deterioration has been detected, but this is not a universal opinion.

Several fund managers have noticed a shift in emphasis in brokers' research material, which they say has become more short-term in approach. Another recurring theme is that many senior analysts have changed firms and have left gaps.

There is less in-depth research," said a fund manager. "All the people doing it are far too young. There is a serious lack of experience."

Another respondent echoed this. "There are now great numbers of very inexperienced analysts about, putting forward ridiculous reasons for buying and selling shares on very short-term views." He complained that too many of the experienced analysts had been shifted into management positions.

The independence of analysts' views is apparently now regarded with some suspicion. "You get the feeling they have been influenced," one institutional man said.

Those top analysts who have moved firms were "less inclined to work hard," thought one of the more critical managers. Analysts, he said, had become very weak on fundamentals, tended to pluck figures out of the air and had generally become "quite wildly over-optimistic."

What were the gains one year after Big Bang, apart from cheaper and easier dealing? Unprompted, the managers tended to mention improved competition, better information and greater internationalisation.

"We are able to compete on an international basis," a respondent said. The development of so-called programme trading, through which institutions are able to liquidate or restructure large portfolios cheaply and almost instantaneously, also came in for favourable mention.

But managers tended to be more vocal about their complaints.

Kevin Brown looks at the record of a deregulated transport industry

Cost and benefit of a bus revolution

A YEAR AGO today bus users woke up to find themselves at the centre of a revolution in public transport.

For the first time in 50 years, the industry was opened up to anyone who wanted to run a service - provided they could satisfy safety regulations, which remained unchanged.

The 1985 Transport Act, which provided for this sweeping deregulation, blew a blast of cold air through a system in which existing operators had been protected from competition by tightly-controlled local authority licensing.

However, 12 months after the event it is still hard to see whether the fresh air has stimulated a fitter and leaner industry, or simply given it a cold.

As might be expected, Mr David Mitchell, Transport Minister, has no such doubts. He said yesterday that deregulation was so successful that he envisaged it being extended to London, the only area excluded, by the early 1990s.

Mr Mitchell claimed experience had borne out Government predictions that competition would stimulate new services, cut costs and reduce taxpayer subsidies. The evidence, he said, was in the statistics: bus mileage up 12 per cent overall and 17 per cent in rural areas; subsidy bills down by £40m a year.

There is also evidence that operators' costs have been reduced by the pressures of competition: Greater Manchester Buses, for instance, has reported costs per mile down 23.5 per cent, while miles per employee are up 23 per cent.

The Government also says that competition has stimulated a flood of new operators and prompted extensive innovation, such as the introduction of minibuses.

David Mitchell: deregulation has been a success

These latter claims do not bear too much inspection, however: only 442 new operators have entered the industry, compared with about 1,500 before deregulation, and there is competition on only a small percentage of routes - probably not much more than 3 per cent.

Ministers will not admit it publicly, but they are known to be disappointed that the private-sector share of the market is up only five percentage points to 13 per cent.

There is also no doubt that the move away from traditional double deck buses towards minibuses was well under way before the 1985 Act took effect, though the legislation may have speeded up the process.

Mr Mitchell's confidence is not echoed by opponents of deregulation. The Public Transport Campaign Group, for instance, which represents a group of Labour-run county and district councils, says deregulation has caused chaos, confusion and cuts in services.

Mr Alex Waugh, the group's chairman, points to the Government's own figures for the low level of competition as evidence that opening up the industry to market forces has been a failure.

"Competition is restricted to profit grabbing on routes that were already well served, while elsewhere there is less choice and a lower quality of service," he says.

"Even these statistics hide the true social cost of deregulation - the cost to pensioners who cannot get to the shops; to parents who struggle to get their children to school, or to women who do not dare travel at night, fearing long waits in dark streets for a bus that may never come."

Mr Waugh's comments reflect the thrust of complaints by opponents of the new system, which centre on the effect of changes in bus routing and timing on the most helpless section of the community.

They claim that evening, Sunday and rural services have been cut almost everywhere; that consumers often cannot keep up with frequent timetable changes; and that reduced fares for children and pensioners have disappeared in some areas.

Some of these criticisms conflict with government figures, which are based on research by the independent Transport Road Research Laboratory.

But there is independent evidence that others are true: Mr Ralph Roberts, chief executive of Greater Manchester Buses said recently that customers had lost the benefits of an integrated transport system and were confused by continually changing publicity.

Mr David Smith, the former general manager of Cardiff metropolitan buses, now a business consultant, says there is no doubt that off-peak services have been hit. But, on the basis of 41 years in the bus industry, he says this is the culmination of a trend that started in the early 1950s.

If it appears to be speeding up, this is because too many services were kept in place by licensing constraints long after there was sufficient custom to justify them, he says.

In a study of deregulation delivered to the South Wales section of the Chartered Institute of Transport, Mr Smith concludes that the Government was justified in many of its claims for deregulation.

Even the apparently low level of competition was providing a significant benefit to consumers by keeping operators on their toes, and there had been big savings from the abolition of outdated manning agreements and closure of unneeded depots. But there was unlikely to be a reversal of the declining trend of bus usage over the past three decades.

A little over 20 years ago, Mrs Barbara Castle, as Labour Transport Secretary, shook up the public transport world by declaring that there was no place in the bus industry for profits.

Hostility to that approach lies at the root of the Government's determination to succeed with deregulation - described by Mr Paul Channon, the Transport Secretary, as "a quiet revolution."

In the long run, the Government may come to regret its high profile promotion of the benefits of this revolution because it may have raised hopes of a dramatic improvement in services which cannot be fulfilled.

For the moment, however, it can at least claim not to have made things any worse.

Voluntary pension arrangement begins

BY ERIC SHORT, PENSIONS CORRESPONDENT

FROM TODAY employees will be able to make their own arrangements for boosting their pension benefits by paying extra contributions.

The Free Standing Additional Voluntary Contribution scheme, first announced by Mr Nigel Lawson, Chancellor of the Exchequer, in this year's Budget, comes into operation.

However, employees will not have a great variety of choice. Only a handful of life companies will be marketing FSAVCs today, including Allied Dunbar Assurance, Legal and General Assurance, Royal Life and Equitable Life Assurance - the largest player in the AVC market.

Until now, employees could boost their pensions only through an in-house AVC arrangement with the main company pension scheme, if such an arrangement existed.

Although most large and medium employers with a company pension scheme have such in-house schemes, company schemes will not be legally obliged to set up an AVC arrangement until next April.

The introduction of FSAVCs has caused considerable debate. Employers and company pension scheme administrators have found the administration required by the Inland Revenue particularly controversial.

Although an FSAVC is an arrangement between the employee and the life company or other provider, the Revenue rules require the pension scheme trustees to monitor the ultimate amount of benefit to prevent overfunding and to provide the life company with information so it can monitor contributions.

Although the Revenue has modified its original proposals on monitoring benefits, the trustee is still left with an onerous administration burden and considerable responsibility.

It is not certain that employers have a legal responsibility to provide information. There are, as yet, no penalties in the rules for trustees who fail to provide information when an employee wishes to take out an FSAVC.

However, Mr David Campbell, a partner in Bacon and Woodrow, a leading firm of consulting actuaries, and head of its research department, advised clients at a seminar last week to comply with the rules.

He told clients they should first provide their own information forms to send to life companies and avoid having to deal with a variety of different forms from different life companies.

Second, he advised them, where appropriate, to improve their own in-house AVC and make it more attractive, paying particular attention to investment performance.

Finally, he urged company pension schemes to communicate to employees the benefits of an in-house AVC, highlighting the lower expenses compared with an FSAVC.

In search of a new internationale

JOHN LLOYD

THE FEVERED events of the past week have shown that socialism, or at least the economic instruments to which its democratic form adheres, is *not dead* and is probably not slayable. They have also shown that modernising British socialists, to the left and right, have sensibly despaired of having much influence on the state and are looking elsewhere for a role.

The obvious point to make in this regard is that by acting to pump liquidity into a system suddenly in chaos, the US Federal Reserve showed it simply could not accept the consequences of an unregulated market. Would that governments and supra-national institutions, like the European Community (EC), had been as rapidly and impressively exercised over 12 per cent unemployment in western Europe.

For many observers, the message is that the crashing market will enforce a more interventionist stance on governments which currently profess laissez faire policies. So the correction will not just have been to overvalued stocks, but also to overvalued market principles. It is one thing to note that the market's superior allocative efficiency is being recognised all over the industrialised world, including the state socialist part. It is another to push that recognition to *the point where the market* pre-empts basic political decision-making.

Yet this possibly seismic shift is taking place when the left in Europe lacks much of an alternative perspective. The one thing the left - the inside left, at any rate - did not say in the past week was that this was the collapse of capitalism, and that it was therefore time to sing the prisoners' chorus from Fidelio. On the contrary, it was time for a sober shaking of heads. Mr John Smith, the shadow Chancellor and Mr Tony Blair, Labour's spokesman on the City, echoed leading City figures in their calls for more international management, regulated capital flows and managed exchange rates. As they were doing so, Mr Gerald Kaufman, the shadow Foreign Secretary, was making an equally statesmanlike call for a United Nations force to take over patrol duties in the Gulf.

The reflexes of the left are changing: its internationalism is becoming not simply an ab*stract article of faith* with little practical meaning, but a real alternative, or at least a corollary, to opposition in the national arena. From being among the more insular and narrow of major European parties, the British Labour Party is now looking about eagerly, almost wildly, to find international support and examples which it can follow.

This is put particularly starkly in a paper, entitled an Alternative to Trade Wars, organised by a coalition of trade unions and leftist organisations. The paper, produced for a conference next month, is by Mr Terry Ward, of Cambridge University's department of applied economics, and Mrs Frances Morrell, until recently leader of the Inner London Education Authority and formerly political adviser to Mr Tony Benn, when he was Industry, and then Energy, Secretary in the 1974-79 Labour governments.

The opening paragraphs of this paper, meant as the keynote to the conference, say: "Nation-state socialists, all over western Europe, have tried to resist the implications of the internationalisation of capital. They have tried to maintain separate national economies which they could, after electoral success, manage and plan. Some have pursued the objectives of centralised planning 1945-style. Others have developed a free-market alternative. All have based their programme on the assumption of national economic management. All have lost.

"The European economy is almost unified: the old frontiers, in economic terms, are scarcely visible. What few divisions remain are scheduled for abolition. The intellectual basis for nation-state socialism, which Labour has supported since 1918, has disappeared. Labour's future is European."

The intention of the conference, "to consider, with fellow socialists from Europe, whether we can concert a plan to make the European economy work in the interests of all Europeans", is certainly over-ambitious in the short run. But in the longer run, the left parties in Europe will have to develop a response to the accelerating plans, under EC Commissioner Lord Cockfield's tutelage, to sweep away the remaining barriers to trade and unify the market. From the evidence of fraternal discussions in Strasburg and Brussels, the consensus from France, West Germany and Italy leans towards acceptance of the trend while seeking to ensure that social and welfare rights are strengthened.

This is an important turnaround: dramatised by the fact that Mrs Morrell once served as adviser to a man who saw the Common Market as the block on any kind of national decision-making and - as the unreformable agent of multinational capital - on any kind of socialist advance. Mrs Morrell's political trajectory has been more open and public than most, but it is far from unique among the party's soft left leadership. Labour is trying to be the new Europeans.

For Mr Benn, the evidence of the past weekend at Chesterfield is that he has confirmed himself as beatifier of the far left. The Chesterfield conference was noisy, fractious and few new ideas emerged. The main focus of attack was "new realism", a code for Labour's leadership. Many of those attending, and causing most disruption, were from Trotskyist groups.

A common theme - and potentially an important one - was a call for local and regional action: a recognition, shared with the hated new realists, that the central state is out of bounds for the time being. As the leadership looks for an international stance, so the left opposition looks for local "red bases" it can win and hold against the tide of "monetarist" values, which Mr Benn sees as having created a consensus among the British political elite, left and right.

But even among the fundamentalists, there is a recognition that the British nation state is too small a focus for effective action. A crucial passage in the lengthy introductory paper to the Chesterfield conference reads: "The determination of capital to complete the EC internal market, so that there will be the same rules on, say, subsidies or the movement of capital in all parts of the EC, creates the space for demands for an alternative 'so*cial Europe*'. Why not launch a campaign in Britain for West German-level dole pay, or Dutch pensions, or Danish social security payments? Around these and other issues there are numerous opportunities for alliances of radicals, socialists and labour movement militants in the unions, local authorities and specific campaigning groups."

As the left "joins" Europe so the free marketeers find the need to pull on levers put there decades ago by the left. Perhaps in international co-ordination and management, the left can find a germ of the big idea it will need to construct to counter Thatcherism in the nation state.

John Lloyd is editor of the New Statesman

Not the place for Piggott

IT IS HARD to deny the public's visceral interest in the three-year prison sentence passed on Lester Piggott for defrauding the Inland Revenue on a massive scale over many years. Whether he merited such condign punishment, there must be many who feel that he has both suffered rough justice and been at the receiving end of the unequal distribution of justice.

The Inland Revenue, unlike protectors of the public purse who guard against fraudulent claims for social security benefit, do not ordinarily regard it as their duty to use the criminal process against tax defaulters. Their prime aim is to fill the coffers of the state with the taxes legally imposed and due, and to apply administrative penalties in the form of treble the amount overdue. The fraudulent taxpayer can expect to escape the clutches of the criminal law, and hence the adverse publicity attaching to court appearances, by quietly putting up his hand. The worst that can happen is a considerable deci*mation of any acquired fortune.*

JUSTINIAN

Piggott's crime, in the eyes of his prosecutors, was to resist the coaxing of the tax inspector, by declining to reveal all once it was clear that the authorities had uncovered his fraud. There is no doubt that his persistent refusal to disclose all his defalcations was the one thing that got up the judge's nose and sealed his fate.

It is difficult to understand Piggott's obstinacy, other than through the fact that stubborn resolve was his major characteristic on the turf. In the end he has apparently paid over all the tax owed, and there is more to come. Unlike the drug smuggler or the corporate fraudster, he had not successfully salted away his untaxed profits, out of reach of the grasping taxman. Of course, Piggott is distinguishable in that he was not stealing other people's money, but trying to deny to the state the due proportion of his presumably lawfully acquired gains. We are his victims, but only very indirectly.

Where does this leave the sentencing policy of our penal system? It was Mr Justice Farquharson who was berated by the media (including this newspaper, but not this columnist) for not having sent Mr Geoffrey Collier to prison last July for a major infraction of insider dealing. If prison was the appropriate desert for Mr Collier there could be no possible complaint at the judge's order that Piggott should go to prison. Mr Collier's offence had only recently been made a criminal one by statute. Moreover it does not necessarily involve dishonesty, *although that concept* seems to have become misshapen in the hands of the judiciary in the case of Mr Keith Best (doubtless, multiple applications will be very welcome in the case of the British Petroleum offer, instead of bringing down upon multiple applicants the wrath of the law).

Yet what useful public purpose is served by Piggott's sentence?

Given the precepts of contemporary penal philosophy in this country - punishment is meant, among other things, to act as a deterrent on those who might seek to emulate the malefactor - there was no possibility that Piggott could avoid an immediate, substantial term of imprisonment. But are any taxpayers likely to be halted in their defrauding inclinations because of what has happened to the country's former leading jockey? That the sentence is meant to deter cannot be doubted. That it does deter is highly questionable, and is merely an article of faith among judges and lawyers.

The trouble is that imprisonment is still seen as the core of the penal system. It is the instinctive penalty that the courts reach for in the case of serious offending. Whenever they can do so, for some sound reason or in mercy, the courts are prepared to mitigate the harshness of imprisonment, usually by suspending all or part of the sentence. But this can be done only for sentences of two years or less. Where, however, the mitigation is insubstantial, prison it has to be.

But must imprisonment be the sanction for the non-violent offender who cheats the state and does not harm directly any individual? Can we not think of a better way of registering our displeasure?

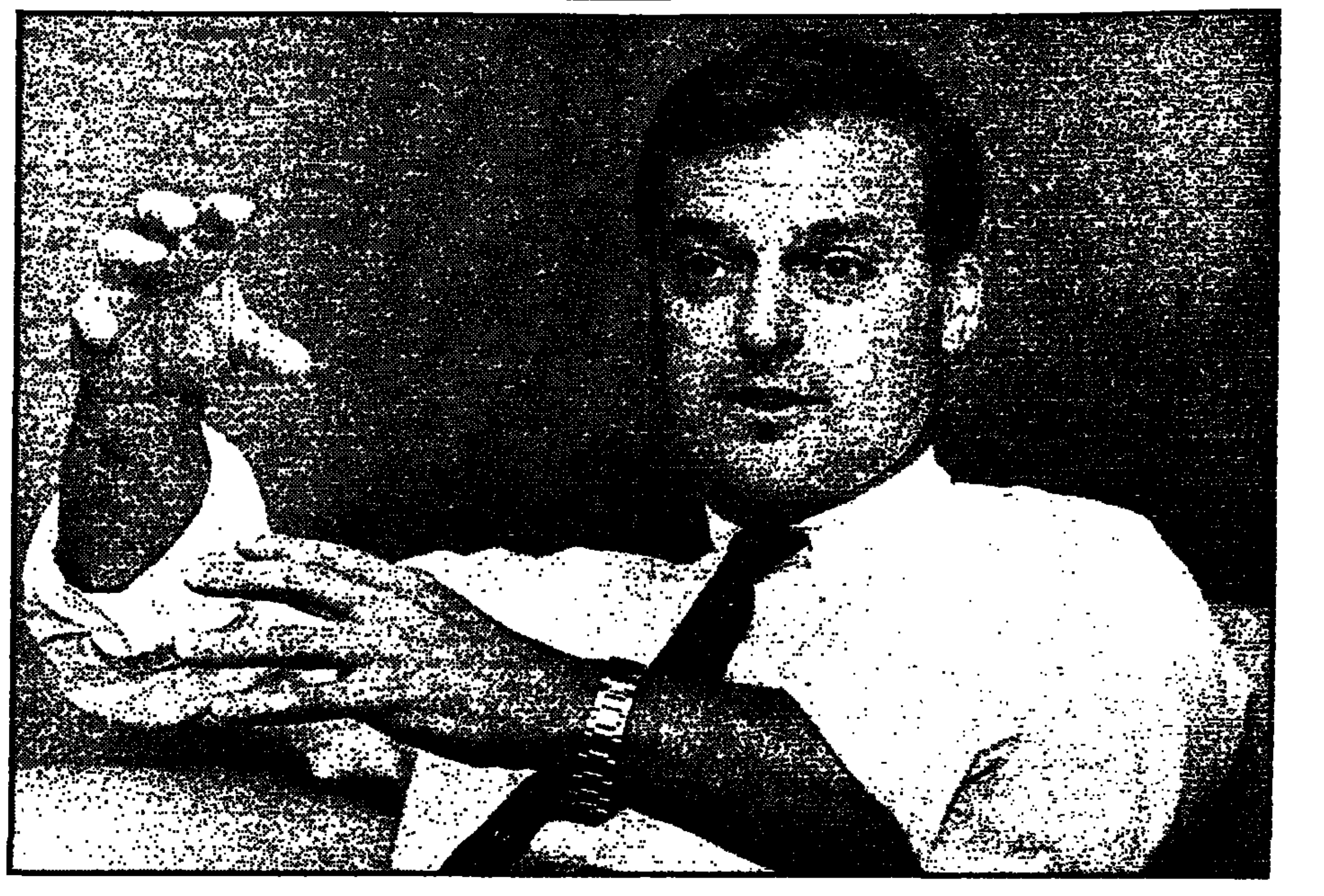
The alternative is to create a kind of second-class citizenry for those whose conduct has been demonstrated to be socially unacceptable, although not physically dangerous. A denial of a passport, a requirement to reside in a particular area of the country, a variation of the probation order - reporting to an authority for supervised activity. The trouble about these kinds of sanctions is that they call for elaborate enforcement procedures. But since people are talking of introducing electronic tagging for burglars and the like, what about electroni*cally imposed* restrictions on the free movement of fraudsters? Imprisonment is much too easily employed.

As Oscar Wilde observed in the Ballad of Reading Gaol: "All we know who lie in gaol is that the wall is strong." Strong walls and cell locks seem crudely inappropriate instruments for dealing with a national sporting hero, however fiscally venal his offence was.

INTERVIEW

Two decisions a year

David Lascelles talks to John Reed, one of banking's iconoclasts



FOR JOHN REED, chairman of Citicorp, there was little doubt what last week's Wall Street crash meant: the best buying opportunity he was likely to see for some time. On Tuesday morning, the day after the Dow fell more than 500 points, he got his board's approval to spend \$250m on 5m Citicorp shares and boost his company's earnings per share. By mid-week he was snapping up stock at \$45 apiece - not bad considering he had made a rights issue at \$58 only a month before.

It was a bold stroke, typical of the man who in May rocked the banking industry with his decision to make a \$3bn reserve against his Third World loans. Such actions have given Mr Reed the reputation of banking's iconoclast - a worthy heir to the traditions of America's largest and most aggressive bank.

But the image and the man do not easily match up. Mr Reed is a youthful 48-year-old who likes to sprawl across armchairs and use phrases like "hey guys!" The tough side of him owes more to his passion for order and progress than to any obvious delight in wielding power. "I take my responsibilities very seriously," he says with disarming earnestness, as if this might at some time have been in doubt.

His huge Park Avenue office in *mid-town Manhattan* is carefully designed to reinforce the "open" management style he has introduced at Citicorp since he took over three years ago. At one end, glass doors open on an indoor patio surrounded by the offices of his dozen top executives. Chairs and tall plants create a garden atmosphere where Mr Reed and his colleagues can stroll and talk informally.

• PERSONAL FILE

1939: Born. (Educated Washington & Jefferson College and Massachusetts Institute of Technology)
1965: Joined Citicorp as operations analyst and strategic planner in overseas division
1969: Appointed Citicorp's youngest Senior Vice President.
1970: Named Executive Vice President and member of the policy committee
1974: Undertook special assignment to start up Citicorp's consumer banking group.
1980: Became Senior Executive Vice President
1984: Elected Chairman and Chief Executive Officer

This retreat was certainly a haven of calm last week during the chaos on Wall Street. And Mr Reed was keen to dwell on the bright side. "I think there has been a general feeling here for the last five or six months that there was a decoupling of the financial markets from the underlying economy, and that there would have to be an adjustment of about 20 to 25 per *cent. So when it happened an* instant market consensus was formed that said 'Hey, prices are going to go down like this.' It was almost as if ten people had got into a room and agreed to it.

"One of the great surprises for all of us was that it was well contained - in the equities markets only. The money and capital markets were smooth as silk. So were the foreign exchange markets." But what caused this sudden collapse? Was it Washington's fault for failing to get to grips with the budget deficit? "No, I don't think so, though I am not a fan of the deficit. I think it was the uptick in interest rates. It became very clear when US interest rates got up into 10 per cent. All of a sudden the trade-off between debt and equity needed a little shifting."

Mr Reed expects the fall to knock about two percentage points off US growth in the next 12 months, which he thinks might otherwise have been about 3-4 per cent. "People will feel less wealthy," he says. But with luck, the shock should trigger action in Washington to bring federal spending under control. All this should also create greater room for manoeuvre by the monetary authorities and take pressure off interest rates. That, in turn, will make life easier for US corporations and banks, and Third World countries grappling with their debt problems.

In fact, the crash underlined the wisdom of Mr Reed's decision to strengthen Citicorp with his \$3bn provision. "I feel very good about that," he says. "It has given us a degree of flexibility we did not have before." His approach to the provision is typical of a man who describes himself as "a very task-oriented kind of a guy" who constantly draws up *lists of things* to do and measures his progress "an inch a day."

The Third World was on his list for 1987. He confesses it was not a subject he knew much about (he came up through Citicorp's consumer banking side). He read voraciously about the IMF, about previous debt crises, about 1929. "I decided early on that I had to somehow get it behind us, otherwise it would become a time-consuming problem. It was very clear to me that we had not provided appropriately for that risk. I did think we were eventually going to return to a normal situation, but clearly the market did not believe us. We were sort of stymied really. So I made the reserve because it seemed to me to be the right thing to do. There wasn't much *more than that. It wasn't that* I like to shock people."

Many people have seen in Mr Reed's action an implicit criticism of his predecessor, Mr Walter Wriston, who was driven by a desire to see Citicorp's earnings on an ever-rising path. Mr Reed is sensitive to this, and prefers to talk of a contrast in management styles based on the same fundamental ideas. "I'm more 'hands on' than Walt," he says. "In general, I fancy myself a manager. The thing I get pleasure out of in life is building things."

Certainly, Mr Reed's relative youth gives him the luxury of time to see beyond the next quarter's earnings, and to try to map the future for his vast organisation of 90,000 employees and \$200bn in assets. He describes himself as an interpola*tor - someone who works out the* best way to get from here to there - rather than an extrapolator - someone who extends present trends. Most bankers, he thinks, are extrapolators. "I really do have a pretty good idea of what I want the place to be ten years down the road. I want it to be a global financial enterprise operating in every market in the free world. I want us to be evenly distributed. If you look at other big banks like Barclays and Deutsche Bank, they're heavily *tilted* geographically. We are not. We are much more evenly divided between markets, and we have a particular attraction to companies who *deal globally.*"

A key part of that stratagem is to build up Citicorp's retail banking side, which he sees accounting for 50-60 per cent of its total business, compared to under half now. He even predicts that Citicorp will have 70-100 branches in Japan, a market viewed as a virtually impenetrable thicket by most other banks. Retail banking, he says, "is a wonderful franchise because of the quality of the business and the deposit base it gives you." Citicorp has two customer bases at the moment: international companies, and some 25m retail customers, many of them holders of Citicorp credit cards.

Mr Reed wants to add a third group: the investors who will buy the products created by his evolving investment banking division. *The big items on Mr* Reed's list for 1988 are to strengthen the investment banking division, and enlarge Citicorp's share of the corporate banking business outside the US. "We are horribly underrepresented in Europe," he says. Much of Citicorp's growth, he predicts, will have to come from acquisitions.

But will Citicorp's future not be dogged by the Third World debt problem? Mr Reed has, after all, been quoted as saying that he does not believe these loans will ever be paid back. "What I am saying is that we must try to get these countries to a position where they can re*turn to the credit markets.* We are not asking them to repay all their loans. Over time they will regain access to those markets, and they will cease to be a burden on the banking industry."

What of the regulatory constraints which inhibit the expansion of banks in the US? One reaction to the market crash was that it would set back efforts to reform the Glass-Steagall Act, which was passed in the wake of the 1929 crash to prevent banks owning corporate securities. Mr Reed rejects that view. "We already have had major regulatory reforms," he said, referring to the easing of interest rate ceilings and barriers to inter-state branching. "Glass-Steagall is already gone. They're just figuring out a way to bury it." If anything, Mr Reed argues, the crash will have *reinforced the need for strongly* capitalised institutions like banks to stand behind the Wall Street houses, particularly if some of them now fail

The rigours of managing Citicorp have forced Mr Reed to husband his time carefully, despite his efforts to preserve informality on the executive floor. He tries to spend only one week a month on operational matters so as to devote more mental energy to strategy. Even so, he reckons he takes only two decisions a year, and spends the rest of the time acquiring the information to make them. Travel is his biggest bugbear - something he seldom had to do when running the retail banking side. But he insists on total separation of his working and family life.

"When I'm gone I'm gone. No one calls me at home or at night without good reason, and I don't call people then either. I could live without reading a newspaper for two weeks and survive very well." The previous evening, he said, he had put on his jeans and tried to help one of his children do science homework, but he was baffled by the equations. He relaxes by playing golf and reading history and science books "never fiction". Would he recommend banking as a career? "If you have any instinct for it, it's a fun business. It's changing a lot."

THE RAT race

Smith & Weatherill

APPOINTMENTS

Five-year chairmanship at BRB

Mr David Ingman has been appointed chairman of the BRITISH WATERWAYS BOARD for a period of five years. Dr Alan Robertson, who has been acting chairman since Sir Leslie Young's departure at the end of June, will continue as vice chairman.

*

Mr Ken Lever has been appointed to the newly-created post of finance director of CORTON BEACH. He was with Arthur Andersen.

*

Mr Ray Box has been appointed managing director of AUTOLOGIC EUROPE INC., St. Albans. He succeeds Mr George Wood, who is now chairman of parent company Volt Information Sciences Inc.'s European operations.

*

Mr Derek Nuttall has been appointed to the board of OLDHAM CROMPTON BATTERIES as finance director.

*

Mr Richard Crick, Mr Tim Martin and Mr Richard Ramsay are joining BARCLAYS DE ZOETE WEDD early in the New Year as directors in its corporate finance department.

*

PEAT MARWICK MCLINTOCK has appointed Mr Peter Crutchett as head of pensions consultancy services. He joins from Sedgwicks.

*

CITICORP INSURANCE BROKERS has appointed Mr Rod Carbery as chairman and managing director of the UK retail division. He was commercial director with Hogg Robinson.

Personnel manager

Mr Tim Ovington has been appointed group personnel manager of HUNTER SAPHIR, a newly-created post. He was with Pedigree Petfoods.

*

Mr Mark Smith and Mr Wolfgang Kneusels have been appointed to the board of R.P. MARTIN.

*

Mr Norman Penny (British Telecom) has been appointed chairman of council of the INSTITUTION OF ELECTRICAL AND ELECTRONICS INCORPORATED ENGINEERS.

*

Mr C. Niel Danbeny has been appointed a director of the SCANDINAVIAN BANK GROUP. He is chief financial officer.

*

THE LONDON INVESTMENT TRUST has appointed Mr J. Michael Middlemass as chief executive officer. He was managing director of Transatlantic Holdings. Mr John Botts has been elected non-executive deputy chairman.

*

Ms Caroline Oliphant has joined the board of W. & F.C. BONHAM and becomes director of the pictures department. She was manager and principal auctioneer of the watercolours department.

*

Mr Neville Bowles has been apppointed to the main board of EASI-LIFT. He was head of its building division.

*

LONDON FORFAITING COMPANY has appointed Mr Raphael Preteceille as an associate director. He was director in charge of forfaiting at Hungarian International Bank.

*

Mr Stephen King has been appointed director, group financial control, for INCHCAPE. He will have specific responsibility for strengthening the links between group headquarters and operations in over 60 countries. He was a finance director in the Ladbroke Group.

*

Mr Christopher Keeling will become chairman, and Mr Charles Yeldham is appointed managing director of FENCHURCH UNDERWRITING AGENCIES on November 9. On that date Mr Geoffrey Knight, chairman of Fenchurch Insurance Holdings (a member of the Guinness Peat Group), will relinquish the chairmanship of its wholly-owned subsidiary Fenchurch Underwriting Agencies, but will remain a director.

*

Mr Doug Hollier has been appointed administration director of UNIVERSITY MEDICAL & GENERAL, wholly-owned subsidiary of Burns-Anderson. He was managing director of Bristol-based brokers Gordon Squire.

*

Mr Andrew Maclean has been appointed managing trustee (director) and chief general manager of MUNICIPAL NATIONAL INSURANCE. He also becomes managing director of all its subsidiary companies. Mr Gerald Lowthin has been appointed general manager. Mr John Payne and Mr Keith Gudgeon become assistant general managers.

*

Mr John Parker has been appointed to the board of HOLT LLOYD INTERNATIONAL. He remains managing director of the operating subsidiary, Holt Lloyd.

*

HILL SAMUEL & CO., has appointed the following members of the corporate finance department to the board: Mr Stephen Aulsebrook, Mr Christopher Baker, Mr Peter Bucks, Mr Roger Perrin and Mr Eric Stobart.

*

Mr Graham Curds, Mr David Harris and Mr Robert Perry have been appointed to the board of N.M. ROTHSCHILD & SONS. Mr Hank Tuten, managing Rothschild Australia, has been appointed to the board of N.M. Rothschild & Sons as a non-executive director.

*

With the exception of Mr R.R.St.J. Barkshire, Mr J. Reeve and the Earl of Carrick, all members of the board of MERCANTILE HOUSE HOLDINGS have resigned. Mr J.H. Gunn, Mr P.J. Goldie, Mr P. Myners, Mr C.G.R. Cary-Elwes and Mr A. Gary Klesch have joined the board. The company is now part of British & Commonwealth Holdings.

Raison joins board

Mr Timothy Raison has been appointed vice-chairman of the board of the BRITISH COUNCIL.

*

CHASE INVESTMENT BANK has appointed Mr Alexander Duma to the management team in the corporate finance department. He was a director of Barclays de Zoete Wedd.

*

Mr Nigel Barak has joined BRENT CHEMICALS as corporate development manager.

*

ABELSCOT GROUP has appointed Mr Andrew Irvin as group finance director. He held a similar position with Domino Printing Sciences. Mr Michael Winand has resigned as finance director.

*

TECHNITRON has appointed Mr D. Leighton Davies as a non-executive director. He is chairman of F-International Group.

*

Mr Brian Long, managing director of ACORN COMPUTER GROUP, is to resign at the end of this month on completion of his initial assignment. Mr Bruno Soggin, chairman, will also become managing director.

*

Mr Dennis Mahoney has been appointed managing director of CONTROL DATA (U.K.). He was managing director of Control Data in South Africa. Mr John Marsh becomes director sales. He was with the Harris Corporation, Florida.

*

Mr David Thomas, group marketing director of the AUTOMOBILE ASSOCIATION, has been elected an executive member of the AA committee.

*

Mr S. Christopher Birks has been appointed financial controller international of PLEXUS COMPUTERS, Swindon. He was with Newbury Data Recording.

*

Mr David Hindle has joined the main board of CONSOLIDATED TERN INVESTMENTS and has been appointed chief executive of Tern Building Group. He joins from Wimpey Construction UK where he was a regional director.

*

BRITISH GAS has appointed Mr David Hough as manager, energy policy department.

*

Mr S.M. Ingram has been appointed an associate director of LLOYD THOMPSON.

*

Mr Paul W. Dalton has been appointed technical director of VOLUMATIC, Coventry, a Halma subsidiary. He was technical manager.

*

Mr Tony Carey has joined the board of ST. GEORGE, which is jointly owned by The Berkeley Group and Speyhawk. He was technical manager of Barratt Central London.

*

Mr Robbie Burns has been appointed managing director of NFC DISTRIBUTION GROUP, part of the National Freight Consortium. He replaces Mr Ron Irons, who has joined sister company British Road Services as group managing director.

*

TITMUSS SAINER & WEBB has appointed Professor John Adams of Queen Mary College, London, and chief examiner of the Law Society, as director of training and education.

*

Mr Christopher Barrass has been promoted to the board of DANIEL J. EDELMAN as director of the corporate division.

UK COMPANY NEWS

Michael Donne on the bumpy run-up to the ruling on the BA/BCal merger plan

British airlines climb into a patch of turbulence

PRESSURE for and against the proposed merger of British Airways and British Caledonian is mounting as the November 6 target date for the report from the Monopolies and Mergers Commission looms just less than two weeks away.

This pressure is not aimed at the Commission - after the original submissions it is no longer open to such lobbying, and anyway its report is probably largely written by now.

It is directed more at MPs and the Government in a bid to ensure that whichever way the decision goes, each side gets something out of it.

As the deadline draws closer, the UK airline industry is becoming increasingly jittery. The two sides in the battle, BA/BCal and the hostile independent airlines, are united in only one thing - that there should be as little delay as possible, not only by the Commission in getting its report to Lord Young, the Secretary for Trade, but also by Lord Young in deciding in turn what to do with it.

Views on the likely outcome are evenly divided. The BA/BCal camp believes the Commission will recommend the merger. However, it recognises that the Commission may urge some safeguards to meet the smaller airlines' fears of anti-competitive behaviour from the greatly enlarged BA, especially at Gatwick airport, where hitherto BA has had only a small presence.

BA would be prepared to accept that situation, for it believes that, despite the hostility of the smaller airlines, there would still be many opportunities for their expansion. These would extend even to taking over some of those routes where BA and BCal already fly in competition - such as in Western Europe and on longer-hauls to Hong Kong, Tokyo and Los Angeles.

Indeed, one major independent, Air Europe, has already applied for rights to fly scheduled services between Gatwick and many European destinations already flown by BA and BCal. Virgin Atlantic has applied for Scandinavian routes and also wants to fly on some of the BA/BCal long-range routes, such as to Los Angeles.

BA does not like to talk publicly about what it would do if the Commission rejected the merger. But privately it argues that such a decision could in turn be over-ruled by the Secretary for Trade, and implies that it would try to achieve just that.

BA is more relaxed than BCal about what would happen if the merger bid fails. Recent statements by Sir Colin Marshall, chief executive of BA, indicate that BA is set on a course of expansion and is ready and willing to "think globally" if it cannot acquire BCal.

Sir Colin told the Chartered Institute of Transport recently that "some of our British competitors claim we are too big, but we look at some our international competitors and feel very strongly we are too small".

BA points out that at present, with 17m passengers a year, it ranks as only number nine in the list of the Western World's biggest airlines. Number one is the US comglomerate Texas Air, five times the size of BA and with more than 85.5m. passengers a year. Even if it takes over BCal, BA will still be only ninth, with about 19.4m passengers a year.

It is not only the growing power of the big US "mega-carriers" in international markets, especially across the North Atlantic, that concerns BA and is forcing it to think of expansion.

It argues that many other European, Far Eastern and Asian airlines are also expanding and moving into markets upon which BA relies for much of its business.

It points that, for example, on the London-Sydney route alone there are no less than 15 other airlines, each of which, by putting together traffic rights between London and its home capital and between the latter and Sydney, can legitimately fly end-to-end London-Sydney traffic in competition with BA.

BA also argues that of the total market of 34.5m international scheduled passengers flying to and from the UK every year, some 57 per cent are carried by foreign airlines, with BA carrying 33 per cent, British Caledonian 5 per cent and other UK airlines the rest.

On charters, BA claims the balance is weighed more heavily against it. Out of a total market of 22.1m passengers a year, BA, BCal and their own charter subsidiaries collectively account for 16 per cent, and foreign airlines 19 per cent, with other UK airlines taking 65 per cent of the market.

BA uses these figures to dismiss the claims made by charter operators at Gatwick that the bigger BA presence there after the merger would result in them being squeezed out.

BA could undoubtedly survive failure of the merger plan. The big question is, could BCal?

Its financial position is weak, it has heavy new aircraft equipment bills for Airbuses and MD-11s to meet, and many doubt its ability to survive alone in an increasingly competitive environment.

Its best solution would probably be to find another partner - and it is known to have been discussing such a move with foreign airlines before the BA bid emerged.

BCal's problem is that no one is likely to offer a comparable price with BA's £237m - which, in the light of the recent collapse of share prices, is now effectively worth about £170m.

So far, BCal has resisted the approaches of International Leisure Group, run by Mr. Harry Goodman, which is prepared to offer more than £100m for BCal. The latter did discuss a link with Mr Goodman last year, but the proposal fell through after some weeks of talking. If the BA deal also falls through, BCal might have to reconsider its attitude to Mr Goodman.

In any event, the other independent airlines remain unconvinced by what they see as posturing by BA and BCal designed to achieve a result that is not just desirable for BA but essential for BCal.

Some believe that anything would be better for the UK industry as a whole than a BA takeover of BCal - even another airline, either UK or even foreign-based, acquiring all or part of its shares.

In their own evidence to the Commission, the independents have argued strongly that if the merger is permitted they must have the strongest possible safeguards to protect their interests.

Architecture/Colin Amery

Inspirational "small" bangs

Last week of all weeks was a particularly good time to remind ourselves that not all the best bangs are the big ones. Today "Small is Beautiful" is often thought of as the wishful thinking of the 1960s, but it does indeed still have the ring of truth about it.

At the little gallery off London's Marylebone High Street—the 9H Gallery at 26 Cramer Street, London, W1—there is an inspiring small exhibition that gives rise to confident hopes about the future of architecture in Britain. Called *Four London Architects*, it shows some recent work of Chipperfield Associates, Rick Mather Architects, Eric Parry Architects, and Stanton and Williams.

The exhibition lasts until November 15 and a visit there will show that the long-awaited fresh wind is blowing through London, bringing not devastation but inspiration. That inspiration for all these four young practices is the recent much-despised Modern Movement. They see the virtues in rational, almost classical design. Inspired by real geniuses, like Lou Khan and the much earlier Adolf Loos, they, too, see virtue in the perfect mixture of formal spaces and rich materials.

Each firm shows three principle schemes and some projects. There is considerable variety but, apart from Rick Mather's teaching and research *buildings for the University of* East Anglia, the work is on a small scale.

David Chipperfield has worked chiefly as a designer of shops, although now he has *some larger jobs in the pipe*line. His "Issey Miyake Permanente," completed in 1985 in London's Sloane Street, is the architecture of high fashion. But like the Japanese clothes it sells, it demonstrates the art of restraint: as the architect points out, Miyake clothes are a distillation of tradition, which *would also be a good description* of the design of the shop.

Starting from the materials, making simple geometric forms—there is nothing complicated or unnecessary here. Portland stone, slate, timber and marble are the materials, and the raised platforms and clear spaces suggest the spirit of ancient Japanese architecture rather than imitating the substance.

Chipperfield is also working on a mews off the Grays Inn Road, which is being converted into premises for a firm of graphic designers. The designers are on the first floor, so their offices are approached by a stair that runs between a curved elm wall and a plaster wall that is scored along its length by a carved marble handrail. It is hard not to be reminded of the inset handrails of Italian palaces—fine detailing and rich materials that invoke historical associations. Steel floors and sycamore on the main floor lend an air of solid luxury that is always simple and well detailed.

The little shirt shop in Paris on the Rue Etienne Marcel uses a similiar language and *materials*, but *all in a tiny* space, enlarged by changes in level and intricate furniture.

Apart from the quality of the materials and some associational references (for example *Le Corbusier is recalled* by the steel hand basins), Chipperfield's work always has a clear idea behind it; clients' needs are analysed, but often answered in a lateral way.

Rick Mather is the oldest architect showing with this group and so he has more substantial work to display. I have *already written in this column* about his largest completed commission, the School of Education and the Climatic Research Building at the University of East Anglia. It *remains an accomplished essay* that adds a note of wit and elegance to the earlier campus.

His other schemes on show in this exhibition are two Chinese restaurants for the Zen restaurant group. Both are in London, and they demonstrate successfully the architects' wish to bring as much light, air, and movement into these large white rooms as possible. Water runs in a glass cascade down the entire length of one wall of the Mayfair and plants and water are prominent in the Hampstead one. Ambience is part of the secret of a good *restaurant—Mather has created* an original atmosphere for his Chinese clients.

Eric Parry shows one completed project and work in progress on two artists' studios, as *well* as fine *drawings* for a "Villa of the Physicists," based on the setting for the Friedrich Durrenmatt play. This temple, or is it a mausoleum, evokes both mystery and rationality in *its hypothetical design.*

Parry's completed project is premises for graphic designers and film animators in a conversion of an old Soho building. The façade is carefully retained, and *a beautiful small entrance* loggia is created: this leads to a corridor that enters a tall internal atrium. The entrance hall is simple, using slate for the floor and painted plaster for the walls that look like Italian stucco. Green, yellow and burnt sienna are the palette, and the scale is modest until you reach the atrium that has a monumental air in a relatively small space. Parry's work is romantic and beautiful in a way that has become rare. I look forward to seeing more completed work.

Stanton and Williams are not both architects. Paul Williams is a designer best known for his exhibition work. His recent partnership with Alan Stanton, an architect from the high-tech stable who *worked on the* Centre Pompdou, promises interest and innovation. Their work is about to be on display in a major way — they have designed the Royal Academy's big winter *exhibition* devoted to Gothic art.

To display chronologically in the classical rooms of Burlington House the artistic achievements of the reigns of five Plantagenet *kings* is *no mean* undertaking. The tantalising preview at the 9H Gallery shows a sensitive response to the Gothic style which will suggest rather than imitate it.

In the work of all *these* architects the past is no longer something to be afraid of—instead it is something to be assimilated and distilled. The recent past has lost its terror and is confronted *straight* on—not embroidered on the surface, as has been the less successful aspect of post-modern architecture. There is real integrity in the work shown, and any slight *danger of preciosity will die* away as the larger commissions come rolling in.


The same actors—Gerald Murphy (top) and Patrick Bailey—in "Deathwatch" left) and "The Maids"

Deathwatch, The Maids/The Pit

Michael Coveney

Genet's two plays, dating from the late 1940s, are not a double bill but they do irradiate comparable aspects of sexual possession through power games and erotic play. In fine new translations by David Rudkin, these intelligently sensuous co-productions by the actor Gerard Murphy and the designer Ultz at last rescue the RSC's Genet season from the inanition of a drab Balcony and a cancelled *Blacks*.

In *Deathwatch (Haute Surveillance)*, the condemned murderer, Green Eyes, goads his fellow inmate, Lefranc, into strangling a young, pretty, petty thief, Mikkel, who shares the cell. The rituals of swagger and manipulation prefigure exactly the more familiar manoeuvres of *The Maids (Les Bonnes)*, in which the sister maids, Claire and Solange, plot the death of their mistress in a boudoir of flowers, mirrors and lush gowns.

Three actors adopt, as it were, the parallel roles, thus highlighting the erotic playground side of Genet's theatrical imagination. His prison, as much as his bedroom, is a closed arena where male friendships fight for survival. The cast assemble to blasts of the Mozart Requiem, and moments of high pressure and death are underpinned with Callas in full flow. But the proceedings are not otherwise infected with stock response to "The fantasy world of Jean Genet."

Here is poetic evidence of a flinty, detailed homoerotic street life and culture, as real in Genet's own *The Thief's Journal*—to which great book these dramas are formalised addenda—as on Lou Reed's *Transformer* album, which plays us out of the Barbican bowels. An excremental, sacramental exodus, indeed.

Gerard Murphy is Green Eyes and Solange. He makes of each a towering, uncompromised invincible. The criminal and the maid are equally buoyed up on Mr Rudkin's threatening Celtic oratory. The first is an ecstatic prowler, flexing his muscles and chest tattoo until becoming his own environment—"I am this prison. I have spies everywhere." With his docker's bulk poured into Solange's black dress and white pinafore, Mr Murphy's transvestism is a tactical ploy, not a camp indulgence.

Thus Sartre's analysis of *Genet's reflective myths* assumes a double dimension: the criminal dreamer is partner to the servant avenger. The same goes for Miles Anderson's finical, pathetic Lefranc, who *misreads his opportunity* for transfiguration but compensates by sipping in death as the triumphal charade-playing Claire.

These partners enact an engrossing vocal duel, Mr Murphy impulsive, pent-up and liable to burst the dam, Mr Anderson metallic, cold, corrective. *Their boyish plaything is* Patrick Bailey, a spur to jealousy in *Deathwatch*, an invitation to murder as a swishily 1950s mannequin in blonde wig and waisted steel blue suit in *The Maids.*

Lowlife glamour is a perennial commodity in this dangerous underworld, and the slashed jeans, leather belts and begrimed vests of the prisoners *are as much a uniform* as the Madame's plundered wardrobe. The staging of *Deathwatch* is a particular revelation, Mr Murphy pacing the exercise yard of Ultz's elegantly trans*parent, rattling* cage, with a sullen, simian disregard for the outside world.

The Living Room/Royalty

Michael Coveney

The Living Room by Graham Greene was that author's first play and the first play reviewed in these pages. On April 18, 1953, the FT published Derek Granger's sensitive and evoca*tive notice, evidence of the* newspaper's "widening range of interests."

The chorus of approval elsewhere included such various voices as J. W. Lambert and Kenneth Tynan. *The season* had been a notably dull one, *and here was a new theatrical* recruit, in late middle age but creative prime, invigorating the eternal triangle theme with characteristic, decorative conversation on Catholic guilt, *morals and adultery, the chal*lenge to faith of the newly fashionable Freudian psychology.

The show also launched Dorothy Tutin in the role of *Rose Pemberton, the young* girl who has been thrown on the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Her mother has died — the first in the family to have married out of the Catholic faith — and *she has fallen instantly in love* with an executor of the will, a safely married psychology lecturer.

Alastair Muir

Paul Daneman and Katharine Schlesinger

The priest, as you would expect, is a failure, the young girl doomed. *Their attraction* for each other is underlined not so much in Bryan Forbes's production, nor in the quality of playing between Katherine Schlesinger and Paul Daneman, as *in the entr'acte recording* of the lush theme from Mahler's *Death in Venice* Symphony.

The edginess of the first scene between Rose and the lecturer, Michael Dennis, is simply not sustained thereafter. This may have something to do with lines like "I loved you the night of my mother's funeral," or "I'm afraid of losing you in a world of old people." But it has more, I feel, to do with the quality of Peter Blyth's reading of Michael, a genuinely smitten refugee from a decent but loveless marriage. Nobody else matches Mr Blythe's line in subtle anguish and cruel precision.

The revival has nothing new or inspired to say about the *play but, even worse, gets* it all wrong on its own terms. The living room is where nobody dies—"an ominously unclaimed tomb," wrote Mr Granger—and is, in fact, a converted third *floor* bedroom, incongruously furnished. Carl Toms's green Greene room is a conventional, airy reception room of spacious Victorian scale.

This territory is ruled by one ferocious aunt and her *timid* sister-shadow. The whole point of their exchange of strength—*paralleled in the recognition of* hopelessness between the girl and the priest—is lost in the playing. Dulcie Gray potters jovially around in slippers as 78-year-old Teresa, but Judy Campbell, for all her dignified beauty and croakily exotic vocal mannerism, finds senile tyranny and repressive cruelty entirely beyond her present capacity.

The full terror of being a *Catholic is something nobody* on the Royalty's stage has begun to understand. I grant that the question itself may sound musty today. But it has to be absorbed for the play to *work. Rose's shocking cry when* confronted by Michael's distraught wife (Jennie Linden) in the second act is: "You can stay his wife; I only want to be his mistress." Miss Schlesinger, in a curiously frizzed Afro hair-do that is itself disastrously anachronistic, evinces a wide-eyed nastiness that bodes everyone's destruction but her own. Her desperation is a callous indulgence, not a symptom of the tragic fate Greene indicates.

The invasion of innocence by experience has many resonances in Greeneland, and it *was clever of Mr Granger* to suggest that the onstage sextet may be haunted by a spectral seventh character, "Mr Greene himself wrestling up there with the powers of evil like a be*devilled St Antony in a* Grunewald painting."

I prefer now to see this fascinating piece as a prophetic drawing room (living room, lounge, what you will) prototype for much subsequent territorial and recriminatory modern English stage comedy. At the Royalty, though, they seem to be doing it out of reverence. The occasion lacks *sparkle and persuasion* and probably sends the play back to the library for good.

Stravinsky triple bill/Covent Garden

Clement Crisp

The Royal Ballet's new Stravinsky triple bill at Covent Garden is a grandly memorable experience. Even more memorable since the credit for the success of the evening owes so much to the conducting of Bernard Haitink and the playing of the Opera House orchestra. The symbiotic relationship between dance in performance and its score is all too rarely comprehended nowadays—one has but to recall the dismal accounts of *Swan Lake* this season and contrast them with what happens when the Kirov and Bolshoy Ballets present this same work with their own orchestras, showing a true partnership of intention and realisation.

On Saturday night Haitink, with his orchestra in immaculate form, produced readings of *The Firebird, Scenes de ballet* and *The Rite of Spring* that were exemplary as views of the scores and as partners for dancing (not always the same thing, but gloriously so under Haitink's baton). *Firebird* seemed an entirely new experience, both aurally and visually. The shimmer of orchestral tone, beautifully balanced, and the clarity of texture, exactly reflected the light and shade of Ivan's adventures, the mysteries of Kastchey's realm, and the flash of the Firebird across the scene.

Haitink's tempi were excellently judged; the more than usually spacious playing of the first scene did not detract from the clarity of Cynthia Harvey's magical bird, while Haitink's feeling for the momentum of the score in the dance of the Princesses gave this lyric interlude a welcome sense of dynamic purpose. And, because the Royal Ballet is a musically sensitive ensemble, company performance was more alert, more vivid, than for many years: the power of Fokine's magical tale has rarely seemed so fresh and exciting. Anthony Dowell was the noblest of Ivans; Derek Rencher a diabolical scarab as Kastchey; and how good to see Deanne Bergsma back with the company as a radiant Princess.

With *Scenes de Ballet* Haitink conveyed, as in no other performance I recall in this theatre, the architecture of the score, the logic and onward progress of its action. The cast, led by Lesley Collier and Antony Dowson, was admirably responsive to the elegance of the music's style. This is one of Ashton's supreme works, the dance coruscating, perfect in form like a Faberge jewel and so it seemed on this occasion.

The closing of *Rite* was as rhythmically bold and nuanced in orchestral sonority as one could wish — the musicians deserve every praise. There has been beneficial editing of the tribal make-up worn by the *dancers (more uniform, less* colourfully daubed) and the youthful energy of MacMillan's choreography was matched in the vitality and coherence of the company's electric performance. *Fiona Chadwick made her* debut as the Chosen One, a reading worthy of Monica Mason's great creation and already sure in conveying the sacrificial inevitability of the role.

The evening was, in sum, one to treasure, not least as proof that the Royal Ballet, with the best musical support, can look like a company restored to excellence. There are six more performances of this programme, with Bernard Haitink conducting: I recommend them unreservedly to lovers of fine orchestral interpretation as of fine dancing.

Association of British Jazz Musicians formed

October, Britain's first National Jazz Month, has seen the foundation of a new organisation, the Association of British Jazz Musicians. The ABJM, set up after discussions between Jazz Services director Chris Hodgkins and trumpeter Digby Fairweather is the first of its kind in Britain. Its aims include the promotion of jazz in every area of British cultural activity (including education), working with the Musicians' Union to improve conditions for British jazz musicians and the provision of a forum for exchanging views and expressing corporate opinion.

The ABJM will publish a quarterly journal for members, set up an annual general assembly-cum-convention and offer other members' privileges including a "National Jazz Card" offering countrywide concessions.

Royal College of Art exhibition

The Royal College of Art's exhibition *150 Years of British Engineering Achievement* will be opened by Prince Philip on November 24.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 23–29

Music

LONDON

Trio Ravel: Haydn, Ravel and Schubert. Wigmore Hall (935 2141). (Mon).

Nash Ensemble conducted by Lionel Friend with Sarah Walker, mezzo soprano. Debussy, Ravel and Faure. Wigmore Hall (Wed).

Lynn Harrell, cello. Bach and Hindemith. Wigmore Hall (Thur).

London Symphony Orchestra conducted by Mstislav Rostropovich. Rostropovich 60th birthday concert. Beethoven and Shostakovich. Barbican Hall (Thur). (638 8891).

PARIS

Orchestre National de France conducted by R. Barshai, Jeremy Menuhin, piano: Beethoven (Mon). Théâtre des Champs Elysées (4720 3637).

Les Musiciens Amoureux: Robert Schumann (Mon). Comedie des Champs Elysèes (4720 3637).

Michele Lagrange recital, Dalton Baldwin, piano (Mon). Théâtre de l'Athenée (4742 6727).

Orchestre de Paris – Andras Schiff, piano: Bach (Mon). Salle Pleyel (4563 0796).

English Chamber Orchestra, Mitsuko Uchida, piano: Mozart (Mon). TMP-Chatelet (4233 4444).

Orchestre de Chambre Bernard Thomas conducted by Bernard Thomas: Vivaldi, Schubert, Cimarosa, Bellini (Tue). Saint-Roch Church (4261 9326).

Orchestre de Paris conducted by Zubin Mehta, Roger Woodward, piano: Messiaen, Xenakis, Mahler (Wed, Thur). Salle Pleyel (4296 9694).

Orchestre National de France, Jeremy Menuhin, piano, Jean-Jacques Kantorow, violin, Misha Maisky, cello: Beethoven (Thur). Théâtre des Champs Elysées (4720 3637).

NETHERLANDS

Amsterdam, Concertgebouw. Hartmut Haenchen conducting the Netherlands Philharmonic, with Frank Peter Zimmermann, violin: Bartok, Tchaikovsky, Schumann (Mon).The Asko Ensemble, Schönberg Ensemble and Hague Percussion Group under Reinbert de Leeuw: Messiaen (Tue). Recital Hall: Hakan Hagegard, baritone, accompanied by Geoffrey Parsons: Schumann, Richard Strauss, Ives, Grieg, Stenhammar, Sibelius (Tue). Anner Bijlsma and Hideimi Suzuki, baroque cellos, with Jacques Ogg, harpsichord: Vivaldi, Bach (Thur). (71 83 45).

Rotterdam, Doelan. The Randtsedlijk Orchestra and massed choral voices led by the Rotterdam Opera Choir conducted by Piet Struijk, with Gaetano Bardini, tenor (Tue). The Asko Ensemble, Schönberg Ensemble and Hague Percussion Group under Reinbert de Leeuw: Messiaen (Wed). Tom Parker's The Young Amadeus, the Young Messiah, with Vicki Brown, Madeline Bell, Gordon Neville, the New London Chorale and Orchestra (Thur). Recital Hall: Lodron Sextet: Mozart (Thur). (413 24 90).

Utrecht, Vredenburg. Bach's Hohe Messe with the choir and baroque orchestra of the Netherlands Bach Society (Wed). Recital Hall: Lodron Sextet: Mozart (Tue). Jard van Nes, mezzo-soprano, accompanied by Gérard van Blerk: Brahms, Schumann, Wolf, Dvorak (Wed). (31 45 44).

Nijmegen, Vereeniging. Bach's Hohe Messe with the choir and baroque orchestra of the Netherlands Bach Society (Tue). Anner Bijlsma and Hideimi Suzuki, baroque cellos, with Jacques Ogg, harpsichord: Vivaldi, Bach (Wed).(22 11 00).

Arnhem, Musis Sacrum. Piano recital by Naum Grubert: Schubert, Beethoven, Rachmaninov (Mon). (51 61 91).

NEW YORK

Carnegie Hall: Liege Philharmonic. Pierre Bartholomee conducting. Jeffrey Siegel piano. Franck, Liszt (Mon); Orchestra of St Luke's Christoph Eschenbach conducting, Jessye Norman soprano. Mozart, Haydn (Tue); Leningrad State Symphony. Alexander Dmitriev conducting, Lazar Berman piano. Weber, Shostakovich (Thur). (247 7800).

Chamber Music Society of Lincoln Center (Alice Tully): Pergolesi, Amy Beach, Shulmait Ran, Dvorak (Tue). Lincoln Center (362 1911).

Juilliard Orchestra (Avery Fisher): Paul Zukofsky conducting. Falla, Stravinsky, Mozart (Thur). Free. Lincoln Center.

Merkin Hall (Goodman House): Prism Orchestra. Robert Black conducting. Barbara Ann Martin soprano. Schoenberg, Susan Blaustein, Ravel (Tue); Lisa Joy Sitjar piano recital. Bach, Ravel, Beethoven, Maria Martinez, Schumann (Wed); Samuel Bartos piano recital. Bach, Schubert, Beethoven, Tui St. George Tucker, George Walker (Thur). 67th w. of Broadway (362 8719).

Kaufmann Hall: Alice Giles harp recital. Bach, Tournier, Berio, Fauré Salzedo, Eberhard (Tue); Pilar Lorengar soprano recital with Mastersingers at the Y. Handel, Dvorak, Gluck, Respighi, Mompou, Obradors, Granados (Wed). 1395 Lexington Av. (831 8603).

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting, Jorge Bolet piano. Sibelius, Grieg, Borodin (Tue); Erich Leinsdorf conducting, Mozart, Stravinsky (Thur). Lincoln Center (874 2424).

Philharmonia Virtuosi (Town Hall): Richard Kapp conducting, Carter Brey 'cello. Respighi, Tchaikovsky, Vieuxtemps, Haydn (Tue). 43rd e. of Broadway (842 1818).

WASHINGTON

National Symphony (Concert Hall): Fabio Mechetti conducting, Nicanor Zabaleta harp. Debussy, Ginastera, Dvorak (Tue); Rafael Fruhbeck de Burgos conducting, Joshua Bell violin. Tchaikovsky, Respighi (Thur). Kennedy Center (254 3776).

Chamber Music Society of Lincoln Center (Concert Hall): Pergolesi, Amy Beach, Shulmait Ran, Ravel (Wed). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Pierre Boulez conducting. Debussy, Boulez, Schoenberg (Thur). (435 8111).

TOKYO

Dietrich Fischer-Dieskau, baritone. Schumann. Suntory Hall (Mon). (505 1010).

Naoko Yoshino, harp. Respighi, Bach, Renie, Holliger, Albeniz, Pierné. Tokyo Bunka Kaikan Recital Hall (Mon). (237 9990).

Saleroom/Antony Thorncroft

Netsuke fanatics' field day

One of the world's greatest netsuke collections starts to come under the hammer at Christie's in London tomorrow. It was formed by an American, Raymond Bushell, but London is still the world centre for Japanese art, and netsuke are a distinctive feature of this art: they are the carved toggles which attached the inro, the *container which acted as a* purse, to the kimono—garments without pockets.

The Bushell collection numbers around 1,800 netsuke. A third will be on long-term loan at the Los Angeles County Museum, but Christie's is disposing of most of the remainder in a series of auctions.

Tuesday's sale contains 350 items. Many of the great names are included. An ivory netsuke of a tiger and monkey by the 19th-century artist Masatsugu could go for £20,000. It is one of five examples by this revered figure. From the 18th century there are six netsuke by Tomotada and four by his pupil, Okatamo. In fact all the most collected artists are present and netsuke fanatics should have a *field day. While certain* lots might top £30,000 it should be possible to secure something from the Bushell collection for £500.

Ironically, relatively few of *the buyers will be Japanese:* they are slow to appreciate netsuke as art, and are happier capturing the great works of western culture. Last Thursday in New York, Christie's sold a Gutenberg Bible, or rather a large slice of the Old Testament, for £3.2m, an auction record for a printed book.

A poignant item comes up for sale at Sotheby's on Thursday: the George Cross medal awarded posthumously to Jane Harrison, a BOAC stewardess *who died while saving passen*gers from a blazing aircraft at Heathrow in 1968. It is only one of four GCs awarded to a woman and a price of up to £12,000 is expected. It is sent for sale by her father. On Wednesday Sotheby's disposes of arms and armour, including a rare 15th century Bohemian ceremonial arrowhead which, mysteriously, was unearthed recently in a garden—in South Africa. Its history is unknown but its provenance is certain and a price of around £6,000 is anticipated.

Rosebery's, a new fine art auction house concentrating in the middle price range, holds its first sale tomorrow evening at 3 & 4 Hardwick Street, London, the home of Bloomsbury Book Auctions. The sale ranges from a Queen Anne walnut lowboy which is estimated at up to £4,000 to a 1920s egg cruet in the form of a biplane which holds four *egg* cups and spoons and comes with revolving propeller and hinged tail rudder.

MANAGEMENT

Tokyo Electric

A power to be reckoned with

Ian Rodger describes how the private utility is consolidating its position

SOME COMPANIES are lucky. Take the case of Tokyo Electric Power, the world's largest privately owned electric utility.

That rank would not have seemed possible for a company which 30 years ago was scrambling to find funds to build power stations to drive the Tokyo area's industrial development.

But today TEPCO seems to be in an unbeatable position. Its operating territory is the fastest growing region in Japan and one of the wealthiest areas in the world. This provides a big boost for the company's core business, generating power and distributing it to the 13.3m households and 2.5m institutional customers in the Tokyo area.

TEPCO also has huge property holdings in the Tokyo area, which have soared in value in recent years. And it is in a privileged position - with a distribution infrastructure already in place - to diversify into another fast growing utility sector, telecommunications.

The company has been quick to take advantage of the government's liberalisation of the telecoms sector in the past two years, and many analysts expect it will soon be a major player in that industry too.

All this has been very good news for TEPCO's shareholders. The shares have been among the most popular in the Tokyo stock market boom of the past two years, rising from Y3,000 in January 1986 to a peak of Y9,420 early this year. Even in last week's upheavals they only eased to the Y6,000 level.

There was additional excitement last year because the company - lucky again - was able to benefit much more than other Japanese power companies from the slump in world oil prices, thanks to the use of the convoy theory by the Japanese authorities in regulating the electric power industry.

Under the convoy theory, conditions are set so as to enable the weakest supplier to survive - or keep up with the convoy. In the Japanese electric power industry, this means that electricity rates are set so that even the smallest utility can survive.

Last year, the Japanese Government imposed two rate reductions on the companies so that customers, too, would benefit from the drop in oil prices. But, thanks to the convoy system, the cuts were relatively modest. As a result, the companies were able to keep a considerable portion of the reduction in their oil import bills. This windfall was largest for those companies with the greatest dependence on thermal plants, and TEPCO comes top of the table in that respect.

Thanks largely to these oil profits, the company's pre-tax profits in the year to March 31 1987 totalled Y444.1bn (£1.9bn), 29 per cent higher than in the previous year, and its pre-tax profit margin was a hefty 11.3 per cent.

No one expects this sort of growth rate to continue, at least not until the fruits of the company's diversification begin to come through, but TEPCO will remain a centre of attention in both its industry and on the stock market.

TEPCO is one of the leading companies on the Tokyo Stock Exchange, not only because its market capitalisation of nearly Y8,000bn ranks it second only to Nippon Telephone and Telegraph on the market, but also because the shares are widely held and traded in heavy volume.

TEPCO and the other electric power companies are unusual among large Japanese companies in having no close ownership links with the big industrial groups, such as Mitsui and Mitsubishi. Its largest shareholders are the Dai-Ichi Mutual Life Insurance Company, Nippon Life and the Tokyo Metropolitan Government, together holding only 12 per cent of the total. On a typical trading day, more than 1m TEPCO shares change hands on the TSE.

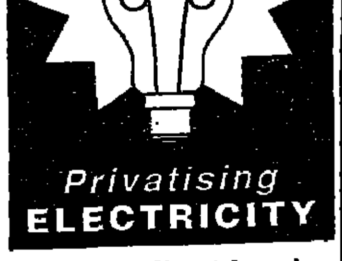
Within Japan's electricity industry, TEPCO is the unquestioned leader of a group of nine quoted companies, each operating exclusively in a particular region. Together, they generate 83 per cent of Japan's electricity. The remainder comes from a few private industrial companies, such as aluminium smelters, that generate their own power, and a small government-owned company, Electric Power Development Corporation (EPDC) that was set up in the 1950s to supplement the utilities' construction efforts. This regionalised, private sector structure has existed for most of this century, except for a short period of nationalisation during the Second World War.

Indeed, Japanese electricity industry officials are rather amused to see privatisation now becoming popular in other countries, such as the UK. (In other respects, the Japanese electric power system is an unlikely model. For example, it operates on 100 volts, different from the world's two main standards. Also, half the country runs on 50 cycles and the other half on 60 cycles.)

The nine leading companies produced 501,400 gigawatt hours of electricity in the year ended March 31 1987. Of the nine, three, TEPCO, Kansai Electric Power (which serves the Osaka-Kobe area) and Chubu Electric Power (Nagoya area) stand far above the rest, together accounting for two thirds of the group's sales. TEPCO alone accounts for nearly a third.

The nine companies and EPDC manage Japan's national electricity grid through the Central Electric Power Council, but the grid is mainly there for emergencies and for transmitting power generated by companies outside their operating territory. TEPCO, for example, has several nuclear and hydro plants located well outside the Tokyo area.

All the companies aim to be self-sufficient in terms of generating their own needs, and they generally succeed. TEPCO had net sales to others of only 2,475 gigawatt hours in 1985, less than



two per cent of its total supply.

The regulatory environment for the companies has been relatively calm. The Ministry of International Trade and Industry (MITI) has the authority to review both their capital spending plans and their tariffs, and public hearings must be held. However, communication between the companies and MITI is constant, so there are rarely flare-ups.

Electricity tariffs are reviewed regularly, but until the oil price slump last year, had been unchanged since 1980. MITI also provides guidance to the companies on which fuels to use in their thermal plants, largely on the basis of environmental concerns.

As in France, even the development of a large nuclear programme has caused very little public controversy, partly because the companies and the government have gone to great lengths to reassure the public about the safety precautions they have taken. Also, the government defuses local opposition by providing extra economic aid, financed by a levy on the power companies, to regions that agree to accept them.

The last great row in the industry was over the selection of a nuclear technology. In the late 1970s, when policy was being reviewed, EPDC, with some support in MITI, argued for the adoption of the Canadian Candu technology, but was beaten down by the private companies which all opted for the US pressurised water reactor (PWR) system.

The regulatory environment allows the companies to be innovative. The latest idea, which has been approved in principle by the Government, is to introduce variable rates (depending on the time of day when the power is used) for residential customers. TEPCO and other companies expect to introduce the new rates early next year.

How Japan succeeds on a sense of obligation to others

Terry Dodsworth reviews an advocacy of Confucian principles

TO PRODUCE a book such as "Taking Japan Seriously" at this particular moment requires not only learning - and Professor Ronald Dore has an encyclopaedic knowledge of his subject - but a certain amount of obstinacy as well.

It has been composed in resolute opposition to the spirit of the times, replete with advocacy of an incomes policy, Government intervention in industry, and a plea for a stronger civil service. It is almost as though Mrs Thatcher had never existed.

What does exist, of course, is Japan as an example of a highly successful industrialised community, and one that is still showing Mrs Thatcher's United Kingdom a thing or two in most areas of manufacturing industry.

Professor Dore's thesis is that this is at least partly due to a social structure in Japan in which self-interest is restrained by a deeply-inculcated sense of obligation to others - the absolute opposite, as he puts it, of the rhetoric of Thatcherism and Reaganism.

In corporate terms, he draws a particularly graphic contrast between what he calls a company law firm and a commmunity model firm. The company law type - the Anglo-Saxon model - is one that is normally associated with the pursuit of unbridled self-interest, with a strong market orientation that is exemplified by the bargaining contract: a deal between managers who are presumed to want the highest profits possible, and workers who are only interested in their wages.

In a community firm, on the other hand, there are assumed to be objectives "to which all members of the organisation subscribe," and which to some degree supercede their own private purposes.

Professor Dore relates the Japanese approach to the Confucian concept that we all start out in life with virtuous impulses, wanting to be committed to others and the community.

Europe and the US, on the other hand, are riddled with the Puritan notion of original sin: hence the idea that people only work for themselves and that governments ought to establish conditions that best channel these individualistic drives.

In broad terms, the Confucian principles lead onto all the well-known attributes of the Japanese industrial system - its concern for "fairness" towards individuals (hence the lower pay differentials), the belief in life-time employment, and the support for the overall organisation in which people work.

The belief in mutual obligations all leads onto other helpful characteristics in a high-technology society: the emphasis on the individual's educational rights and automatic training on the job; and the ability of the corporate sector to agree on general objectives for an industry, while still competing fiercely on a day-to-day level.

It is not hard to be convinced, like Dore, that many of these characteristics are particularly well-tuned to the type of industry associated with an affluent, high technology era. Efficiency in this environment means not just wheeling out a product a la Ford Model T, but making sure that quality is up to scratch, having an organisation which is quick-footed enough to change products when necessary, and creating flexibility through adequate training.

Indeed, many Western companies are themselves very well aware of this. Confucius or no: it is hard to go through Dore's listings of the attributes of Japanese companies - lifetime employment, individual dedication to the organisation, commitment to education, emphasis on the customer - without thinking of International Business Machines; or, indeed, the kind of people-oriented companies selected for the American corporate hit parade in "In Search of Excellence."

But could the UK accept the kind of social engineering Dore advocates to bring its institutional structure closer to the Japanese model?

He would like to see a "fairer" wage system arrived at through a single, annual pay round preceded by detailed public discussion; he is keen on the idea of a "social dividend," another fairness instrument that would establish a kind of minimum wage; he believes that long-term shareholding should be encouraged, possibly through the tax structure, to ensure more strategic corporate thinking; and he makes the by-now familiar plea for better educational standards.

It is hard to believe that this is a programme that would attract a glimmer of interest in Downing Street at present.

Taking Japan Seriously: A Confucian Perspective on Leading Economic Issues, by Ronald Dore. Athlone Press. £20.

Business courses

Essential finance for managers, Berkhamsted. November 14-18. Fee: £925. Details from the Registrar, Ashridge Management College, Berkhamsted, Herts HP4 1BR. Tel: 044284 3491 or 2311. Telex: 826434 ASHCOL G.

Handling customers by phone and by letter, London. December 9. Fee: £120 + VAT (members); £140 + VAT (non-members). Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks SL6 9QH. Tel: 06285 24922 ext 2229.

Negotiation skills for international business, Bath. December 7-11. Fee: £580. Details from Judy Smith, The Canning School, 1 Brock Street, Bath BA1 2LN. Tel: 0225 335323.

Concepts of corporate financial modelling, London. December 1-2. Fee: £300. Details from Nigel Meade, Imperial College of Science and Technology, 53 Prince's Gate, Exhibition Road, London SW7 2PG. Tel: 01-589 5111 ext 7123.

World telecommunications, London. December 1-2. Fee: £520 + VAT. Details from Financial Times Conference Organisation, 2nd floor, 126 Jermyn Street, London SW1Y 4UJ. Tel 01-925 2323.

Understanding business finance, London. November 18-20. Fee: £425 + VAT. Details from Monadnock International, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546. Telex: 299180.

Personal computers in strategic management, London. December 16. Fee: £155 + VAT (personal members £135 + VAT; corporate members £115 + VAT). Details from The Strategic Planning Society, 15 Belgrave Square, London SW1X 8PU. Tel: 01-235 0246.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 22nd October 1987, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

£200 million 10 per cent TREASURY LOAN, 1993
£200 million 10 per cent CONVERSION STOCK, 1996
£100 million 9 per cent CONVERSION STOCK, 2000

The price paid by the Bank on issue was in each case the middle market price of the relevant Stock at 3.30 p.m. on 22nd October 1987 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 22nd October 1987, and has issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of the following Stocks:

£150 million 11 per cent EXCHEQUER STOCK, 1991
£100 million 9¾ per cent EXCHEQUER STOCK, 1998

In each case, the amount issued on 22nd October 1987 represents a further tranche of the relevant Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The International Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for 10 per cent Treasury Loan, 1993 dated 7th February 1986, 10½ per cent Exchequer Convertible Stock, 1989 dated 22nd November 1985 (which contained the terms of issue of 10 per cent Conversion Stock, 1996) and 9 per cent Treasury Convertible Stock, 1980 dated 6th March 1973 (which contained the terms of issue of 9 per cent Conversion Stock, 2000) may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below.

Stock	*Redemption date*	*Interest payment dates*
10 per cent Treasury Loan, 1993	15th April 1993	15th April 15th October
10 per cent Conversion Stock, 1996	15th November 1996	15th May 15th November
9 per cent Conversion Stock, 2000	3rd March 2000	3rd March 3rd September

The further tranches of 10 per cent Treasury Loan, 1993 and 9 per cent Conversion Stock, 2000 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. The further tranche of 10 per cent Conversion Stock, 1996 has been issued on an ex-dividend basis and will not rank for the interest payment due on 15th November 1987. Official dealings in the Stocks on The International Stock Exchange are expected to commence on Friday, 23rd October 1987.

10 per cent Treasury Loan, 1993, 10 per cent Conversion Stock, 1996 and 9 per cent Conversion Stock, 2000 are specified under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as gilt-edged securities (under current legislation exempt from tax on capital gains, irrespective of the period for which the Stock is held).

Government statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

22nd October 1987

Architecture/Colin Amery

Inspirational "small" bangs

Last week of all weeks was a particularly good time to remind ourselves that not all the *best bangs* are the big ones. Today "Small is Beautiful" is often thought of as the wishful thinking of the 1960s, but it does indeed still have the ring of truth about it.

At the little gallery off London's Marylebone High Street—the 9H Gallery at 26 Cramer Street, London, W1—there is an inspiring small exhibition that gives rise to confident hopes about the future of architecture in Britain. Called *Four London Architects*, it shows some recent work of Chipperfield Associates, Rick Mather Architects, Eric Parry Architects, and Stanton and Williams.

The exhibition lasts until *November 15 and a visit there* will show that the long-awaited fresh wind is blowing through London, bringing not devastation but inspiration. That inspiration for all these four young practices is the recent much-despised Modern Movement. They see the virtues in rational, almost classical design. Inspired by real geniuses, like *Lou Khan and the much earlier* Adolf Loos, they, too, see virtue in the perfect mixture of formal spaces and rich materials.

Each firm shows three principle schemes and some projects. There is considerable variety but, apart from Rick Mather's teaching and research buildings for the University of East Anglia, the work is on a small scale.

David Chipperfield has worked chiefly as a designer of shops, although now he has some larger jobs in the pipeline. His "Issey Miyake Permanente," completed in 1985 in London's Sloane Street, is the architecture of high fashion. But like the Japanese clothes it sells, it demonstrates the art of restraint: as the architect points out, Miyake clothes are a distillation of tradition, which would also be a good description of the design of the shop.

Starting from the materials, making simple geometric forms—there is nothing complicated or unnecessary here. Portland stone, *slate*, timber and marble are the materials, and the raised platforms and clear spaces suggest the spirit of ancient Japanese architecture *rather than imitating the substance.*

Chipperfield is also working on a mews off the Grays Inn Road, which is being converted *into premises for a firm of* graphic designers. The designers are on the first floor, so their offices are approached by a stair that runs between a curved elm wall and a plaster wall that is scored along its length by a carved marble handrail. It is hard not to be reminded of the inset handrails of Italian palaces—fine *detailing and rich materials* that invoke historical associations. Steel floors and sycamore on the main floor lend an air of solid luxury that is always simple and well detailed.

The little shirt shop in Paris on the Rue Etienne Marcel uses a similiar language and materials, but all in a tiny space, enlarged by changes in *level and intricate furniture.*

Apart from the quality of the materials and some associational references (for example Le Corbusier is recalled by the steel hand basins), Chipperfield's work always has a clear idea behind it; clients' needs are analysed, but often answered in a lateral way.

Rick Mather is the oldest architect showing with this group and so he has more substantial work to display. I have already written in this column about *his largest completed* commission, the School of Education and the Climatic Research Building at the University of East Anglia. It *remains an accomplished essay* that adds a note of wit and elegance to the earlier campus.

His other schemes on show in this exhibition are two Chinese *restaurants for the Zen restaur*ant group. Both are in London, and they demonstrate successfully the architects' wish to bring as much light, air, and movement into these large white rooms as possible. Water runs in a glass cascade down the entire length of one wall of the Mayfair and plants and water are prominent in the *Hampstead one. Ambience* is part of the secret of a good restaurant—Mather has created an original atmosphere for his Chinese clients.

Eric Parry shows one completed project and work in progress on two artists' studios, as well as fine drawings for a "Villa of the Physicists," based on the setting for the Friedrich Durrenmatt *play*. This temple, or is it a mausoleum, evokes both mystery and rationality in its hypothetical design.

Parry's completed project is *premises for graphic designers* and film animators in a conversion of an old Soho building. The façade is carefully retained, and a beautiful small entrance loggia is created: this leads to a corridor that enters a tall internal atrium. The entrance hall is simple, using slate for the floor and painted plaster for *the walls that look like Italian* stucco. Green, yellow and burnt sienna are the palette, and the scale is modest until you reach the atrium that has a monu*mental* air in a relatively small space. Parry's work is romantic and beautiful in a way that has become rare. I look forward to seeing more completed work.

Stanton and Williams are not both architects. Paul Williams is a designer best known for his exhibition work. His recent partnership with Alan Stanton, an architect from the high-tech stable who worked on the Centre Pompdou, promises interest and innovation. Their work is about to be on display in a major way — they have designed the Royal Academy's big winter exhibition devoted to Gothic art.

To display chronologically in the classical rooms of Burling*ton House the artistic achieve*ments of the reigns of five Plantagenet kings is no mean undertaking. The tantalising preview at the 9H Gallery shows a sensitive response to the Gothic style which will suggest rather than imitate it.

In the work of all these architects the past is no longer something to be afraid of—instead it is something to be assimilated and distilled. The recent past has lost its terror and is confronted straight on—not embroidered on the surface, as *has* been the less successful aspect of post-modern architecture. There is real integrity in the work shown, and any slight danger of preciosity will die away as the larger commissions come rolling in.

The same actors—Gerald Murphy (top) and Patrick Bailey—in "Deathwatch" left) and "The Maids"

Deathwatch, The Maids/The Pit

Michael Coveney

Genet's two plays, dating from the late 1940s, are not a double bill but they do irradiate comparable aspects of sexual possession through power games and erotic play. In fine new translations by David Rudkin, these intelligently sensuous coproductions by the actor Gerard Murphy and the designer Ultz at last rescue the RSC's Genet season from the inanition of a drab Balcony and a cancelled *Blacks.*

In Deathwatch (Haute Surveillance), the condemned murderer, Green Eyes, goads his fellow inmate, Lefranc, into strangling a young, pretty, petty thief, Mikkel, who shares the cell. The rituals of swagger and manipulation prefigure exactly the more familiar manoeuvres of *The Maids (Les Bonnes)*, in which the sister maids, *Claire and Solange*, plot the death of their mistress in a boudoir of flowers, mirrors and lush gowns.

Three actors adopt, as it were, the parallel roles, thus highlighting the erotic playground side of Genet's theatrical imagination. His prison, as much as his bedroom, is a closed arena where male friendships fight for survival. The cast assemble to blasts of the Mozart Requiem, and moments of high pressure and death are underpinned with Callas in full flow. But the proceedings *are* not otherwise infected with stock response to "The fantasy world of Jean Genet."

Here is poetic evidence of a flinty, detailed homoerotic street life and culture, as real in Genet's own *The Thief's Journal*—to which great book these dramas are formalised addenda—as on Lou Reed's *Transformer* album, *which* plays us out of the Barbican bowels. An excremental, sacramental exodus, indeed.

Gerard Murphy is Green Eyes and Solange. He makes of each a towering, uncompromised invincible. The criminal and the maid are equally buoyed up on Mr Rudkin's threatening Celtic oratory. The first is an ecstatic prowler, flexing his muscles and chest tattoo until becoming his own environment—"I am this prison. I have spies everywhere." With his docker's bulk poured into Solange's black dress *and white pinafore*, Mr Murphy's transvestism is a tactical ploy, not a camp indulgence.

Thus Sartre's analysis of Genet's reflective myths assumes a double dimension: the criminal dreamer is partner to the servant avenger. The same goes for Miles Anderson's finical, pathetic Lefranc, who misreads his opportunity for transfiguration but compensates by sipping in death as the triumphal charade-playing Claire.

These partners enact an engrossing vocal duel, Mr Murphy impulsive, pent-up and liable to burst the dam, Mr Anderson metallic, cold, corrective. Their boyish plaything is Patrick Bailey, a spur to jealousy in *Deathwatch*, an invitation to murder as a swishily 1950s mannequin in blonde wig and waisted steel blue suit in *The Maids.*

Lowlife glamour is a perennial commodity in this dangerous underworld, and the slashed jeans, leather belts and begrimed vests of the prisoners are as much a uniform as the Madame's plundered wardrobe. The staging of *Deathwatch* is a particular revelation, Mr Murphy pacing the exercise yard of Ultz's elegantly transparent, rattling cage, with a sullen, simian disregard for the outside world.

The Living Room/Royalty

Michael Coveney

The Living Room by Graham Greene was that author's first play and the first play reviewed in these pages. On April 18, 1953, the FT published Derek Granger's sensitive and evocative notice, evidence of the newspaper's "widening range of interests."

The chorus of approval elsewhere included such various voices as *J. W. Lambert and* Kenneth Tynan. The season had been a notably dull one, and here was a new theatrical recruit, in late middle age but creative prime, invigorating the eternal triangle theme with characteristic, decorative conversation on Catholic guilt, morals and adultery, the challenge to faith of the newly fashionable Freudian psychology.

The show also launched *Dorothy Tutin in the role of* Rose Pemberton, the young girl who has been thrown on the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Her mother has died — the first in the family to have married out of the Catholic faith — and she has fallen instantly in love with an executor of the will, a safely married psychology lecturer.

The priest, as you would expect, is a failure, the young girl doomed. Their attraction for each other is underlined not so much in Bryan Forbes's production, nor in the quality *of playing* between Katherine Schlesinger and Paul Daneman, as in the entr'acte recording of the lush theme from Mahler's *Death in Venice* Symphony.

The edginess of the first scene between Rose and the lecturer, Michael Dennis, is simply not sustained thereafter. This may have something to do with lines like "I loved you the night of my mother's funeral," or "I'm afraid of losing you in a world of old people." But it has more, I feel, to do with the quality of *Peter Blyth's reading of* Michael, a genuinely smitten refugee from a decent but loveless marriage. Nobody else matches Mr Blythe's line in subtle anguish and cruel precision.

The revival has nothing new or inspired to say about the play but, even worse, gets it all wrong on its own terms. The living room is where nobody dies—"an ominously unclaimed tomb," wrote Mr Granger—and is, in fact, a converted third floor bedroom, incongruously furnished. Carl Toms's green Greene room is a conventional, airy reception room of spacious Victorian scale.

This territory is ruled by one ferocious aunt and her timid sister-shadow. The whole point of their exchange of strength—paralleled in the recognition of hopelessness between the girl and the priest—is lost in the playing. Dulcie Gray potters jovially around in slippers as 78-year-old Teresa, but Judy *Campbell, for all her dignified* beauty and croakily exotic vocal mannerism, finds senile tyranny and repressive cruelty entirely beyond her present capacity.

The *full terror of* being a Catholic is something nobody on the Royalty's stage has begun to understand. I grant that the question itself may sound musty today. But it has to be absorbed for the play to work. Rose's shocking cry when confronted by Michael's distraught wife (Jennie Linden) in the second act is: "You can stay his wife; *I* only want to be his mistress." Miss Schlesinger, in a curiously frizzed Afro hair-do that is itself disastrously anachronistic, evinces a wide-eyed nastiness that bodes everyone's destruction but her own. Her desperation is a callous indulgence, not a symptom of the tragic fate Greene indicates.

The invasion of innocence by experience has many resonances in Greeneland, and it was clever of Mr Granger to suggest that the onstage sextet may be *haunted by a spectral* seventh character, "Mr Greene himself wrestling up there with the powers of evil like a bedevilled St Antony in a Grunewald painting."

I prefer now to see this fascinating piece as a prophetic drawing room (living room, lounge, what you will) prototype for much subsequent territorial and recriminatory modern English stage comedy. At the Royalty, though, they seem to be doing it out of reverence. The occasion lacks *sparkle and persuasion and pro*bably sends the play back to the library for good.

Alastair Muir

Paul Daneman and Katharine Schlesinger

Stravinsky triple bill/Covent Garden

Clement Crisp

The Royal Ballet's new Stravinsky triple bill at Covent Garden is a grandly memorable experience. Even more memorable since the credit for the success of the evening owes so much to the conducting of Bernard Haitink and the playing of the Opera House orchestra. The symbiotic relationship between dance in performance and its score is all too rarely comprehended nowadays—one has but to recall the dismal accounts of *Swan Lake* this season and contrast them with *what happens when the Kirov* and Bolshoy Ballets present this same work with their own orchestras, showing a true partnership of intention and realisation.

On Saturday night Haitink, with his orchestra in immaculate form, produced readings of *The Firebird, Scenes de ballet* and *The Rite of Spring* that were exemplary as views of the scores and as partners for dancing (not always the same thing, but gloriously so under Haitink's baton). *Firebird* seemed an entirely new experience, both aurally and visually. The shimmer of orchestral tone, beautifully balanced, and the clarity of *texture*, exactly reflected the light and shade of Ivan's adventures, the mysteries of *Kastchey's realm, and the flash* of the Firebird across the scene.

Haitink's tempi were excellently judged; the more than *usually spacious playing of the* first scene did not detract from the clarity of Cynthia Harvey's magical bird, while Haitink's feeling for the momentum of the score in the dance of the Princesses gave this lyric interlude a welcome sense of dynamic purpose. And, because the Royal Ballet is a musically sensitive ensemble, company *performance was more alert*, more vivid, than for many years: the power of Fokine's magical tale has rarely seemed so fresh and exciting. Anthony Dowell was the noblest of Ivans; Derek Rencher a diabolical scarab as Kastchey; and how good to see Deanne Bergsma back with the company as a radiant Princess.

With *Scenes de Ballet* Haitink conveyed, as in no other performance I recall in this theatre, the architecture of the score, the logic and onward progress *of its action. The cast, led by* Lesley Collier and Antony Dowson, was admirably responsive to the elegance of the music's style. This is one of Ashton's supreme works, the dance coruscating, perfect in form like a Faberge jewel and *so it seemed on this occasion.*

The closing of *Rite* was as rhythmically bold and nuanced in orchestral sonority as one could wish — the musicians deserve every praise. There has been beneficial editing of the tribal make-up worn by the dancers (more uniform, less colourfully daubed) and the youthful energy of MacMillan's *choreography was matched in* the vitality and coherence of the company's electric performance. Fiona Chadwick made her debut as the Chosen One, a reading worthy of Monica *Mason's great creation and* already sure in conveying the sacrificial inevitability of the role.

The evening was, in sum, one to treasure, not least as proof that the Royal Ballet, with the best musical support, can look like a company restored to excellence. There are six more performances of this programme, with Bernard Haitink conducting: I recommend them unreservedly to lovers of fine orchestral interpretation as of fine dancing.

Association of British Jazz Musicians formed

October, Britain's first National Jazz Month, has seen the foundation of a new organisation, the Association of British Jazz Musicians. The ABJM, set up after discussions between Jazz Services director Chris Hodgkins and trumpeter Digby Fairweather is the first of its kind in Britain. Its aims *include the promotion of jazz* in every area of British cultural activity (including education), working with the Musicians' Union to improve conditions for British jazz musicians and the provision of a forum for exchanging views and expressing corporate opinion.

The ABJM will publish a quarterly journal for members, set up an annual general assembly-cum-convention and offer other members' privileges including a "National Jazz Card" offering countrywide concessions.

Royal College of Art exhibition

The Royal College of Art's exhibition *150 Years of British Engineering Achievement* will be opened by Prince Philip on November 24.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 23–29

Music

LONDON

Trio Ravel: Haydn, Ravel and Schubert. Wigmore Hall (935 2141). (Mon).

Nash Ensemble conducted by Lionel Friend with Sarah Walker, mezzo soprano. Debussy, Ravel and Fauré. Wigmore Hall (Wed).

Lynn Harrell, cello. Bach and Hindemith. Wigmore Hall (Thur).

London Symphony Orchestra conducted by Mstislav Rostropovich. Rostropovich 60th birthday concert. Beethoven and Shostakovich. Barbican Hall (Thur). (638 8891).

PARIS

Orchestre National de France conducted by R. Barshai, Jeremy Menuhin, piano: Beethoven (Mon). Théâtre des Champs Elysées (4720 3637).

Les Musiciens Amoureux: Robert Schumann (Mon). Comedie des Champs Elysées (4720 3637).

Michele Lagrange recital, Dalton Baldwin, piano (Mon). Théâtre de l'Athenée (4742 6727).

Orchestre de Paris – Andras Schiff, piano: Bach (Mon). Salle Pleyel (4563 0796).

English Chamber Orchestra, Mitsuko Uchida, piano: Mozart (Mon). TMP-Chatelet (4233 4444).

Orchestre de Chambre Bernard Thomas conducted by Bernard Thomas: Vivaldi, Schubert, Cimarosa, Bellini (Tue). Saint-Roch Church (4261 9326).

Orchestre de Paris conducted by Zubin Mehta, Roger Woodward, piano: Messiaen, Xenakis, Mahler (Wed, Thur). Salle Pleyel (4296 9694).

Orchestre National de France, Jeremy Menuhin, piano, Jean-Jacques Kantorow, violin, Misha Maisky, cello: Beethoven (Thur). Théâtre des Champs Elysées (4720 3637).

NETHERLANDS

Amsterdam, Concertgebouw. Hartmut Haenchen conducting the Netherlands Philharmonic, with Frank Peter Zimmermann, violin: Bartok, Tchaikovsky, Schumann (Mon).The Asko Ensemble, Schönberg Ensemble and Hague Percussion Group under Reinbert de Leeuw: Messiaen (Tue). Recital Hall: Hakan Hagegard, baritone, accompanied by Geoffrey Parsons: Schumann, Richard Strauss, Ives, Grieg, Stenhammar, Sibelius (Tue). Anner Bijlsma and Hideimi Suzuki, baroque cellos, with Jacques Ogg, harpsichord: Vivaldi, Bach (Thur). (71 83 45).

Rotterdam, Doelan. The Randtsedlijk Orchestra and massed choral voices led by the Rotterdam Opera Choir conducted by Piet Struijk, with Gaetano Bardini, tenor (Tue). The Asko Ensemble, Schönberg Ensemble and Hague Percussion Group under Reinbert de Leeuw: Messiaen (Wed). Tom Parker's The Young Amadeus, the Young Messiah, with Vicki Brown, Madeline Bell, Gordon Neville, the New London Chorale and Orchestra (Thur). Recital Hall: Lodron Sextet: Mozart (Thur). (413 24 90).

Utrecht, Vredenburg. Bach's Hohe Messe with the choir and baroque orchestra of the Netherlands Bach Society (Wed). Recital Hall: Lodron Sextet: Mozart (Tue). Jard van Nes, mezzo-soprano, accompanied by Gérard van Blerk: Brahms, Schumann, Wolf, Dvorak (Wed). (31 45 44).

Nijmegen, Vereeniging. Bach's Hohe Messe with the choir and baroque orchestra of the Netherlands Bach Society (Tue). Anner Bijlsma and Hideimi Suzuki, baroque cellos, with Jacques Ogg, harpsichord: Vivaldi, Bach (Wed).(22 11 00).

Arnhem, Musis Sacrum. Piano recital by Naum Grubert: Schubert, Beethoven, Rachmaninov (Mon). (51 81 91).

NEW YORK

Carnegie Hall: Liege Philharmonic. Pierre Bartholomee conducting, Jeffrey Siegel piano. Franck, Liszt (Mon); Orchestra of St Luke's Christoph Eschenbach conducting, Jessye Norman soprano. Mozart, Haydn (Tue); Leningrad State Symphony. *Alexander Dmitriev conducting, La*zar Berman piano. Weber, Shostakovich (Thur). (247 7800).

Chamber Music Society of Lincoln Center (Alice Tully): Pergolesi, Amy Beach, Shulmait Ran, Dvorak (Tue). Lincoln Center (362 1911).

Juilliard Orchestra (Avery Fisher): Paul Zukofsky conducting. Falla, Stravinsky, Mozart (Thur). Free. Lincoln Center.

Merkin Hall (Goodman House): Prism Orchestra. Robert Black conducting, Barbara Ann Martin soprano. Schoenberg, Susan Blaustein, Ravel (Tue); Lisa Joy Sitjar piano recital. Bach, Ravel, Beethoven, Maria Martinez, Schumann (Wed); Samuel Bartos piano recital. Bach, Schubert, Beethoven, Tui St. George Tucker, George Walker (Thur). 67th w. of Broadway (362 8719).

Kaufmann Hall: Alice Giles harp recital. Bach, Tournier, Berio, Fauré Salzedo, Eberhard (Tue); Pilar Lorengar soprano recital with Mastersingers at the Y. Handel, Dvorak, Gluck, Respighi, Mompou, Obradors, Granados (Wed). 1395 Lexington Av. (831 8603).

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting, Jorge Bolet piano. Sibelius, Grieg, Borodin (Tue); Erich Leinsdorf conducting, Mozart, Stravinsky (Thur). Lincoln Center (874 2424).

Philharmonia Virtuosi (Town Hall): Richard Kapp conducting, Carter Brey 'cello. Respighi, Tchaikovsky, Vieuxtemps, Haydn (Tue). 43rd e. of Broadway (842 1818).

WASHINGTON

National Symphony (Concert Hall): Fabio Mechetti conducting, Nicanor Zabaleta harp. Debussy, Ginastera, Dvorak (Tue); *Rafael Fruhbeck de* Burgos conducting, Joshua Bell violin. Tchaikovsky, Respighi (Thur). Kennedy Center (254 3776).

Chamber Music Society of Lincoln Center (Concert Hall): Pergolesi, Amy Beach, Shulmait Ran, Ravel (Wed). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Pierre Boulez conducting. Debussy, Boulez, Schoenberg (Thur). (485 8111).

TOKYO

Dietrich Fischer-Dieskau, baritone. Schumann. Suntory Hall (Mon). (505 1010).

Naoko Yoshino, harp. Respighi, Bach, Renie, Holliger, Albeniz, Pierné. Tokyo Bunka Kaikan Recital Hall (Mon). (237 9990).

Saleroom/Antony Thorncroft

Netsuke fanatics' field day

One of the world's greatest netsuke collections starts to come under the hammer at Christie's in London tomorrow. It was formed by an American, Raymond Bushell, but London is still the world centre for Japanese art, and netsuke are a *distinctive feature* of this art: they are the carved toggles which attached the inro, the container which acted as a purse, to the kimono—garments without pockets.

The Bushell collection numbers around 1,800 netsuke. A third will be on long-term loan at the Los Angeles County Museum, but Christie's is disposing of most of the remainder in a series of auctions.

Tuesday's sale contains 350 items. Many of the great names are included. An ivory netsuke of a *tiger and monkey* by the 19th-century artist Masatsugu could go for £20,000. It is one of five examples by this revered figure. From the 18th century *there are six netsuke* by Tomotada and four by his pupil, Okatamo. In fact all the most collected artists are present and netsuke fanatics should have a *field day. While certain* lots might top £30,000 it should be possible to secure something from the Bushell collection for £500.

Ironically, relatively few of the buyers will be Japanese: they are slow to appreciate netsuke as art, and are happier capturing the great works of western culture. Last Thursday in New York, Christie's sold a Gutenberg Bible, or rather a large slice of the Old Testament, for £3.2m, an auction record for a printed book.

A poignant item comes up for sale at Sotheby's on Thursday: *the George Cross* medal awarded posthumously to Jane Harrison, a BOAC stewardess who died while saving passengers from a blazing aircraft at Heathrow in 1968. It is only one of four GCs awarded to a woman and a price of up to £12,000 is expected. It is sent for sale by her father. On Wednesday Sotheby's disposes of arms and armour, including a rare 15th century Bohemian ceremonial arrowhead which, mysteriously, was unearthed recently in a garden—in South Africa. Its history is unknown but its provenance is certain and a price of around £6,000 is anticipated.

Rosebery's, a new fine art auction house concentrating in the middle price range, holds its first sale tomorrow evening at 3 & 4 Hardwick Street, London, the home of Bloomsbury Book Auctions. The sale ranges from a Queen Anne walnut lowboy which is estimated at up to £4,000 to a 1920s egg cruet in the form of a biplane which holds four egg cups and spoons and comes with revolving propeller and hinged tail rudder.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday October 26

Gorbachev's arms gamble

THE end-game of any complicated international negotiations always brings surprises and there was no reason to suppose that the US-Soviet arms control talks would prove an exception. Though the failure by the Foreign Ministers of the two sides to tie up a medium-range missile deal and set a date for an early summit was naturally disappointing after the high hopes which had been raised since they last met in Washington, it should not be seen as a disaster. The likelihood that an agreement on the abolition of intermediate-range nuclear forces (INF) will be signed in the near future is still as great now as it was before the Moscow meeting.

What has thoroughly confused the issue - and this was probably Mr Mikhail Gorbachev's intention - was the generally accepted idea in the West that an INF deal must be signed at a Washington summit between President Reagan and the Soviet leader. That is certainly what the beleaguered White House would like to happen. The cosy picture of the Reagan and Gorbachev families united around a Thanksgiving Day turkey has already been propagated by the US media as a way of restoring some of President Reagan's battered image.

Ideal conclusion

However, failing such an ideal conclusion to the long drawn-out INF negotiations, there is little reason to suppose that either the US or the Soviet Union would refuse to sign a treaty in a different setting. The event could still take place in Washington at a quick signature ceremony devoid of all the trappings of a full-scale summit; or it could be held in Geneva, where all the detailed negotiations have been conducted.

In spite of all the speculation about Moscow establishing a new link between the conclusion of an INF accord and a summit, nothing that has been said in public or private supports such an interpretation. Mr Eduard Shevardnadze, the Soviet Foreign Minister, specifically said after his meeting with Mr George Shultz, the US Secretary of State, last Friday that the fewremaining disagreements between the two sides could be resolved in about three weeks. The treaty could be signed when completed once the practical problems of the location and timing of the signature ceremony were settled.

If Mr Gorbachev has dragged in the summit as a major issue at a stage when the world was getting ready to cheer the first genuine nuclear arms reduction agreement, it is certainly not to scuttle a deal which he wants as much, if not more, than Mr Reagan. It is a well-calculated, if risky, tactical move to squeeze the last drop of concessions out of a President whom the Russians see as having been seriously weakened by the Irangate scandal and the Wall Street crash. That squeeze has come in an area which Moscow has always considered to be the crux of the arms control negotiations, the reduction of strategic arms and the closely-related problem of President Reagan's strategic defence initiative, known as "Star Wars."

Under pressure

It is the strengthening of the 1972 Anti-Ballistic Missile Treaty (ABM), which would restrict the development and testing of components of the US space-based defensive system, that has been made the real condition for attending a Washington summitby Mr Gorbachev. The Soviet leader is almost certainly under pressure from his own military establishment in making this demand. Yet all the indications are that he has miscalculated President Reagan's total commitment to "Star Wars", as he seemed to have done at their dramatic summit in Reykjavik in October 1986. On that occasion, Mr Reagan had an unprecedented nuclear arms reduction agreement in his grasp, but did not blink when asked to abandon SDI. He is unlikely to blink when the bait is no more than a summit with Mr Gorbachev, however appetising that morsel may be.

By leaving the door open to a signature of an INF agreement at a place other than a summit meeting, the Soviet leader has probably prevented his brinkmanship tactics from undermining the whole edifice of the arms control negotiations. But it looks increasingly probable that he will have to resign himself to a postponement of any agreement on the reduction of strategic missiles and the problem of SDI until Mr Reagan's successor has been installed at the White House.

A year after Big Bang

AFTER THE dismal slide in world equity markets last week, the first anniversary of Big Bang tomorrow is scarcely the ideal moment for a dispassionate verdict on the liberalisation of the Stock Exchange. It is questionable whether any dealing system would have proved robust in the face of such a combination of circumstances. Even on the New York Stock Exchange, which is highly liquid by world standards and less dependent on fallible high technology than London, there were moments when investors were *unable to deal in some of the* country's best known stocks. When market psychology changes so suddenly and dramatically against a background of huge economic imbalances, some strain in the system is inescapable.

A definitive verdict would also be premature in the sense that the full impact of opening the market to new entrants and fresh capital has yet to be felt. With the equity bull market maintaining its impetus until this month, competitive pressure on securities firms has partly been offset by much increased dealing volume and inventory profits. Yet there have already been several well publicised cases of big houses cutting back on market making activities. Now that markets threaten to become more difficult, there is bound to be more trouble - not least because the Japanese securities firms and banks, with ready access to the world's biggest savings nest egg, are only beginning to launch a serious assault on the domestic British market.

Personal contact

That is not to say that the complaints to be heard about Big Bang in the City last week were all without foundation. It is undoubtedly true that an old-fashioned jobber on the Stock Exchange floor was obliged by personal contact with the broker to offer a response. The move to high-tech screen-based dealing has presented the market makers with the opportunity to ignore the telephone. This much was clear in August at the time of the Chancellor's hike in short term interest rates; and the message was repeated last week as Wall Street transmitted its neurotic message to the rest of the world. There is ample liquidity when prices are rising, but a great deal less when things are going the other way.

There is also some justification in the claim that back office administrative problems should have been foreseen. Leading American investment bankers in London, with personal experience of Wall Street's settlement problems in the 1970s, warned loudly about the risks. Too few took heed.

Common rules

These problems need to be addressed by the authorities. But the government and the *Bank of England can take some* satisfaction from the fact that much of the wider purpose of the original move to deregulate the Stock Exchange has been achieved. Back in 1983, when the Stock Exchange struck its deal with the then Trade Secretary Mr Cecil Parkinson, there was a real risk that London would miss out on the fast growing market in international equities. Today the merger of the Stock Exchange with the international investment community in The Securities Association has helped bring about a central market operating within a common set of rules. Within the European time zone London has thus consolidated its position as the pre-eminent financial centre.

Fund managers also enjoy much cheaper dealing facilities following the abolition of fixed commissions. This was overdue; and for many of them the opportunity to deal more cheaply outweighs the disadvantage in any decline in the quality of research or - so far, at least - worries about conflicts of interest.

There nonetheless remain several unresolved questions about Big Bang. The first concerns the effect on private investors, who claim in some cases to have been confronted with higher commission charges and poorer service. The regulatory system which is being introduced under the Financial Services Act to provide investment protection is both late and untried. And it is a moot point whether the new City conglomerates that combine commercial banking with securities dealing will be able to avoid the risk of cross-infection when market makers are caught by a sharp turn in securities prices. A bear market will furnish some of the answers while demonstrating whether the benefits experienced so far are likely to last. We may not have to wait long for a clearer picture.

US POLICY IN THE GULF

Afloat on a sea of ambiguity

By Lionel Barber and Andrew Gowers

EVER SINCE the US began its military build-up in the Gulf earlier this year, one question has nagged in the minds of American Congressmen and Washington's allies: what precisely is it designed to achieve?

The American force now assembled in and around the Gulf - 30 ships and about 20,000 men - is the biggest concentration of US naval firepower abroad since the Vietnam war. Yet its role remains shrouded in an ambiguity, which Iran - the most obvious target of US hostility - has proved adept at exposing and exploiting. Iran's attack on Kuwait last week, for example, underlined the limitations of America's security commitments; despite apparently serious damage to an oil terminal in a moderate, pro-US Gulf Arab state, the Administration was swift to say it would not respond.

To critics in Washington, the story of the Reagan Administration's growing entanglement in the Gulf vindicates their earlier predictions that the US would inevitably be sucked into the Gulf war, and that it would be forced, in the face of Iranian provocation, to take sides with Iraq. "It is like watching a Greek tragedy," says Admiral Eugene Carroll (rtd) of the Centre for Defence Information.

In the hypercritical atmosphere of Washington, there is always a tendency to over-dramatise and things have certainly not reached such a pass yet. So far, officials argue, US Gulf policy has won grudging support from Congress and practical, if belated, backing from America's allies in the guise of a multinational minesweeping force.

Underlying both points of view is the US foreign policy dilemma which stemmed from the trauma of defeat in Vietnam: how to reconcile superpower status and obligations to allies with public nervousness about open-ended commitments which inevitably place American lives at risk overseas.

The Administration strenuously denies that it is confused about its objectives. Shortly after US Army helicopters machine-gunned four Iranian gunboats in the Gulf earlier this month, Mr Caspar Weinberger, the Defence Secretary, declared: "Our military objectives are not only not vague: they are quite specific and vital to the national security. They are simply to pursue freedom of the seas and the freedom to pass freely over international waters."

This casts the US in its familiar post-1945 role as international policeman, or protector of the interests of the free world. Yet Mr Weinberger's statement was not the only version of the US mission which has been propounded by Administration spokesmen in recent months. Others include:

- The more limited aim of escorting and protecting 11 Kuwaiti oil tankers flying the Stars and Stripes. This was the initial catalyst and rationale for the military build-up following Kuwait's request for reflagging earlier this year, and it remains the most consistent feature of US involvement so far. Although President Ronald Reagan warned Iran last week against undertaking provocative acts against the US "or anybody else," his Administration has emphasised that it does not feel obliged to come to the aid of any tankers under attack, regardless of their flag. Rear Admiral Harold Bernsen, commander of the Middle East Force, sought authorisation to defend other nations' tankers several weeks ago, but was told that his mission was simply to escort US-flag ships.
- A general desire to contain Iran's hostile activities in the Gulf. This was implicit in the clash between US forces and the Iranian minelaying vessel Iran Ajr last month, and in a narrowly averted confrontation between the US command ship La Salle and a flotilla of Iranian gunboats in the northern Gulf at the beginning of October.
- Containing Soviet involvement in the Gulf. This was a key explanation for the original decision to reflag Kuwaiti tankers, which was taken in response to Moscow's agreement to lease three ships to the northern Gulf emirate, amid warnings from Mr Weinberger that the waterway was in danger of being transformed into "a Soviet lake."
- Reassuring the Gulf Arab states, which have been shaken by Iranian threats to extend the war beyond Iraq. This was vitally important for Washington in view of its embarrassment over Irangate.

The truth behind the US mission probably lies in a mixture of all these explanations. But they still beg a number of questions, especially since some of them are contradictory.

For example, it is Iran that needs freedom of navigation more than anyone in the Gulf, dependent as it is on sea routes to export virtually all its oil. It was Iraq which initiated disruption of shipping by starting the tanker war in earnest in 1984, yet the US has been reluctant to put more than token pressure on Baghdad to stop hitting ships.

Equally important, there are those in Washington who fear that if the US seriously confronts Iran, it will run the risk of driving Tehran closer to the Soviet Union, its northern neighbour. The Senate Foreign Relations Committee noted in a recent report that Moscow was already making political capital out of its improving ties with Iran.

It is also worth asking how far the US is prepared to go to reassure its Arab friends. Is it ready ultimately to come to the aid of Kuwait, which has been a target for repeated Iranian missile attacks in recent weeks? American officials have repeatedly denied that the US has any obligation to do so. Still less does Washington seem to be of a mind to rush to the direct defence of Iraq, despite warnings of the dangers of an Iranian victory in the Gulf war from such quarters as the Senate committee. US officials have been reported as speaking privately of the need to prevent an Iranian victory, but the Administration does not state such an objective as a matter of policy.

Some officials go further and argue that eventually the US naval mission, quietly but effectively supported by moderate Gulf states, could lay the groundwork for a long-term US role in the region, filling the vacuum created when the American-backed Shah of Iran fell to the Islamic revolutionaries led by Ayatollah Ruhollah Khomeini. They contend that with this strategic goal in mind, it is of the utmost importance for the Administration to show it has staying power.

President Reagan has so far attempted to fudge the issue by describing the US mission broadly in terms of responsibilities held by the leader of the free world.

This approach was well suited to a different era - the immediate post-war years under President Harry Truman and Secretary of State Dean Acheson, when the primary US foreign policy goal was to contain the spread of Communism. Today, the grand vision sits uneasily on a nation with post-Vietnam political inhibitions.

The US's new security structures are improvised and diffuse, in contrast with the treaty-based alliances of the post-war years

Yet the point is that both Washington and the Gulf states want, for the moment, to keep things vague, as Mr Terry Deibel, professor of national security policy at the National War College, wrote in a prescient article in Foreign Policy magazine this summer.

In contrast with the treaty-based multilateral US alliances of the immediate post-war period, (Cento, Seato, Nato, Anzus), the new security structures are "improvised and diffuse" and above all respectful of the post-colonial era. In the light of the departure of the British from east of Suez, the US was bound to fill the gap.

Yet, as Mr Deibel points out, there was no question of Uncle Sam creating a base structure of the sort that once supported the sweeping global alliances constructed by Mr John Foster Dulles, President Dwight Eisenhower's Secretary of State. Whatever the Pentagon's ambitions to establish permanent bases in the Gulf, the more realistic officials know there is a limit to the public commitments Gulf Arab leaders can make to the US.

"Fearing the fate of the Shah, the rulers of south-west Asia could not risk open identification with the superpower that armed and bankrolled Israel...," Mr Deibel wrote. Hence the current case-study in public ambiguity. The Carter Administration created, and the Reagan Administration inherited, a system of discreet security arrangements in the Gulf with host country control, no formal treaties and a minimal American presence.

More explicit are the heavy US military aid commitments: a sale of five airborne warning and control system (Awacs) aircraft to Saudi Arabia in 1982 - the key to that country's air defence system - and a further \$15bn (£9bn) of arms sales to member states of the Gulf Co-operation Council, including \$300m on improvements to four Omani airfields. Impressive though these are, it should be borne in mind that Israel, through its formidable lobby in the US, has helped block other deals including the Saudi attempt this year to buy Maverick anti-tank weapons, part of a \$1bn package about to be approved by Congress.

The US Congress has undoubtedly strengthened the impression of confusion. Since the question of reflagging Kuwaiti tankers arose, and especially since the US frigate Stark was hit by an Iraqi Exocet missile, it is presumed accidentally, in May, with the loss of 37 American lives, both the US Senate and the House of Representatives have been expressing concern and searching in vain for a voice in US policy. Yet no alternative policy to the US escort mission has emerged.

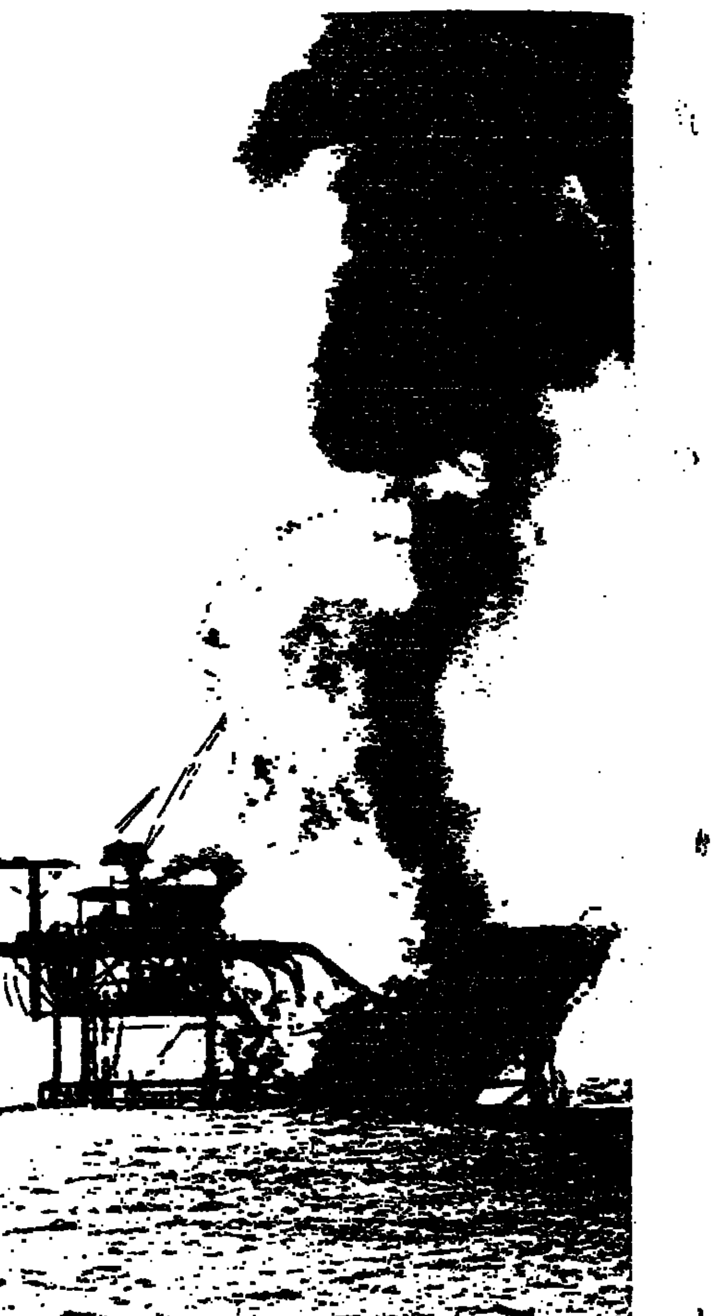
Many Senators have spent hours of debate on the 1973 War Powers Resolution, which sets a 60-day deadline for the withdrawal of US forces in the area of "imminent hostilities" unless Congress approves their deployment. But successive presidents, from Mr Richard Nixon onwards, have rejected the law as an unconstitutional restriction on executive power.

The Reagan Administration has defused claims that it is snubbing Capitol Hill by carefully briefing congressional leaders on important policy details, including last week's demolition of an Iranian oil platform in retaliation for the missile attack on a US-flagged tanker at a Kuwaiti terminal in which 18 crew, including the American captain, were injured.

At his press conference last Thursday, President Reagan pointed out that the US had been involved in more than 200 military actions abroad since 1798 and Congress had authorised funds for only 62. The remainder had been carried out on the orders of the President. The War Powers Act - the high-water mark of congressional power in foreign policy making in the immediate aftermath of Vietnam - remains a side issue.

The immediate test, then, is whether the Administration is willing to stay the course. This cannot be considered a certainty, given the embarrassing withdrawal of the American contingent in the multinational force in Lebanon in 1984 after an explosion at the US marine barracks in Beirut killed more than 240 Americans.

On Thursday, President Reagan deliberately avoided setting time limits for the escort policy and indicated he would meet any Iranian attack in kind. So far the US responses have been carefully calibrated to meet Congress's demands for prudent retaliation and the public's desire not to see the US intimidated.



The problem is that this policy, however finely tuned, is essentially reactive and dependent on developments beyond Washington's control. The US has been putting considerable muscle into efforts by the United Nations Security Council to end the Gulf war. But its plans to step up the international pressure on Iran - by implementing a global embargo on arms sales to Tehran - have been frustrated by Soviet and Chinese stalling.

Despite the UN's best efforts, there is no real indication that the conflict is drawing to a close. On the contrary, it shows every sign of escalating. There are widespread fears of a fresh Iranian offensive on land before the end of the year. Iraq is most unlikely to cease its attacks on Iranian oil export operations, which have been its most effective response to military pressure from Tehran, and Iran is likely to retaliate by hitting neutral shipping.

That leaves the US essentially in the position of a hostage to developments in the war. Many observers believe the American force is likely to have to stay in the region in strength until the conflict ends. However becoming the role of international policeman may be, the US must surely be looking for something less exposed than the present uneasy furrow it is ploughing up and down the Gulf.

Men and Matters

TORONTO, OCTOBER 25

Tricks of the trade deal

Only one thing surpasses the average Canadian's intense and rather morbid fascination with the United States: the average American's supreme indifference to Canada.

Thus the relative dearth of column inches devoted south of the 49th parallel to the recently-signed free trade pact between the two countries is seen as something of an affront to national dignity by many Canadians.

Luckily, the eager beavers of the Canadian press corps have compensated for their US peers' inadequacies by addressing the subject with a thoroughness which has given a whole new meaning to the term "saturation coverage". Thanks to them, we know that US Treasury Secretary, James Baker, made one of his most telling interventions while enjoying a fried chicken supper in his office with members of the Canadian delegation. We are aware, too, that the agreement was finally signed on a briefcase balanced on the lap of the Canadian Prime Minister's chief of staff, Derek Burney.

"Jake - come back - 'Jake - 'the market's rising - Jake..."

It now also seems that a deal was not reached until 22 hours after the Reagan Administration notified Congress of its intention to enter into a trade agreement with Canada. According to a speech delivered to a group of Toronto economists by Canada's deputy chief trade negotiator, Gordon Ritchie, the pact was not signed until about 10pm on October 4. Ritchie said he did not hear much of the joint news conference held by the two sides earlier that day because he was busy trying to negotiate an agreement.

Stormy waters

Perhaps it is the fear of being somehow subsumed within its powerful southern neighbour (a national neurosis which, incidentally, the trade deal has done much to resurrect) that explains the tenacity with which Canada clings to ties with the erstwhile colonial powers.

After all, the country has recently played host both to the second summit of Francophone nations in Quebec and to the latest Commonwealth get-together in Vancouver. And how else does one explain the fact that Queen Victoria's birthday is still a national holiday here? Or that Peter Wright's "Spycatcher" has, since August 24, been in extended residency at the top of the bestseller list?

It is regrettable, therefore, that relations with both former masters are a trifle strained at present. Mrs Thatcher's obstinacy in opposing further sanctions against apartheid, against the wishes of Prime Minister Mulroney and the other Commonwealth heads of state, has been widely reported. Less well-publicised has been the festering fishing dispute with France.

At the tiff's epicentre are two small vestiges of Gallic sovereignty some 12 miles off the south coast of Newfoundland: namely, the islands of St Pierre and Miquelon, which support about 6,000 impecunious fishermen.

Talks have been going on for years over territorial waters (France claims a 200-mile territorial limit for its islands, once referred to by Mulroney as "peanuts") and fish quotas. But things took a decided turn for the worse recently when France broke off negotiations, prompting Canada to announce plans to close its fishing grounds to French and St Pierre-Miquelon fishermen in 1988.

At least as delicate as relations between Canada and France in this matter are relations between Canada and Newfoundland. Just prior to the French walkout, Newfoundland's Conservative Premier, Brian Peckford, stormed out of the talks himself(Newfoundland has been playing an advisory role), over a Canadian plan to offer France cod quotas in the fisheries off Newfoundland's east coast in return for agreement to refer the boundary dispute to international arbitration.

With an official unemployment rate of 22 per cent and a heavily fish-dependent economy, Newfoundland is ill-inclined to see any portion of its precious cod stocks sacrificed on the altar of better Franco-Canadian relations.

Seven wonders

Toronto is a particularly appropriate venue for next year's G7 meeting since it is the city which spawned the original Group of Seven exactly 67 years ago.

The Group of Seven, as most Canadians understand the term, is generally regarded as the first genuinely Canadian artistic movement. It consisted of a band of like-minded, primarily landscape painters who, frustrated with the conservative and imitative nature of most Canadian art, set out to develop their own style. Of course, their bold, brightly-coloured canvasses were initially derided by the Canadian artistic establishment. But they went down a storm, I am told, at the 1925 Wembley exhibition.

What sort of pictures, I wonder, will their latterday namesakes be painting here next year?

Grey day

Recent Canadian sporting triumphs like the epic Canada Cup ice-hockey victory over the USSR and Ben Johnson's stunning 100m world record in Rome have contrived to make Canadians (with the exception of Toronto Blue Jays baseball fans) uncharacteristically boastful of their sporting heritage of late. Thus it is with optimism that aficionados are looking forward to Grey Cup day - Canada's Super Bowl - the last big sporting blow-out before the long, cold winter sets in.

The Canadian Football League is a source of pride throughout the country. Whereas the best domestic ice-hockey and baseball clubs must compete in all-North American competitions, the CFL is an exclusively Canadian phenomenon.

This probably explains why it is still a going concern despite its apparent perpetually desperate financial straits.

Yet, even the CFL is not as quintessentially Canadian as all that. "Grey Cup day is the only day when Canada goes crazy over two teams of Americans playing for a British Cup," comments one caustic observer.

As this remark implies, CFL teams are largely composed of refugees from the US National Football League. The cup itself, like ice-hockey's Stanley Cup and lacrosse's Minto Cup, was named after a British governor general, Earl Grey, who presented it for "the amateur rugby football championship of Canada".

Observer

هكذا من الأصل

De Gaulle and deterrence

France has revised its nuclear strategy. Ian Davidson reports

LAST WEEK, on his state visit to West Germany, President Mitterrand announced a significant revision of French nuclear doctrine, involving a radical downgrading of the role of French sub-strategic nuclear weapons.

But while his new formulations may have considerable political merit in cementing relations between France and Germany, it is not at all clear whether President Mitterrand has in fact provided any new solutions to the old problems of nuclear deterrence.

At the end of his visit, his diplomatic advisers were beaming with satisfaction. One of them described the president's concluding press conference, mainly devoted to nuclear issues, as the most important since his election in 1981.

The centre-piece of the new doctrine is a renunciation of the use of France's short-range Pluton "pre-strategic" missiles in or near Germany - or as close as is possible to renunciation, given the cardinal rule of uncertainty in all nuclear deterrence doctrines.

The ideological significance of this renunciation is that it revives memories of the absolutist deterrence notions of General de Gaulle. In 1966, he took France out of Nato rather than acquiesce in the determination of the US government to make a transition from massive retaliation to "flexible response", relying on shorter-range nuclear weapons. This he regarded as a weakening of the American commitment to Europe.

But it is the European political dimension which gives the French initiative its real salience. The "Double Zero" option to remove from Europe all Intermediate-range Nuclear Forces (INF) of more than 500-km range, puts the Germans in a doubly painful dilemma and throws grit into the Franco-German relationship. This is because if Nato remains limited to short-range nuclear weapons of less than 500km, any war would turn Germany into a nuclear killing zone. However, if Russia proposes and the US accepts the elimination of these weapons too, Germany would become a conventional killing zone.

In either event, the spotlight is turned harshly on France's Pluton (and later Hades) missiles, both of which have a range of less than 500km. On the one hand, the French government has adamantly refused to take part in any nuclear arms reduction negotiations at least until, as President Mitterrand, put it last week, "there is some correlation between their arsenals and ours."

This implies larger cuts than the 50 per cent reductions which are under discussion in the strategic arms talks. On the other hand, it is uncomfortable to explain the rationale of short-range French missiles whose purpose might be deterrence, but whose possible effect would be to kill millions of Germans, West or East.

What makes the new doctrine more striking is that it emerged only a few days after Mr Andre Giraud, the French Defence Minister, had gone further than any of his predecessors of the past 29 years towards lining up French defence policy with Nato doctrine.

In a long interview with the Figaro newspaper, Mr Giraud endorsed Nato's doctrine of flexible response, and explained that tactical nuclear weapons were an essential complement to the conventional defence of Europe. Best of all, he had managed to claim the legitimacy of Gaullist orthodoxy, by unearthing a little-known quotation in which the General himself approved the use of tactical nuclear weapons.

Not using short-range weapons would mean that the French notion of a "final warning" would have to take the form of a nuclear strike against Soviet territory, either with a submarine-launched ballistic missile, or with a medium-range air-to-surface missile, which has yet to be developed. Whichever happened, the Soviet Union might have difficulty in distinguishing between a final warning and the start of a massive strategic strike.

The paradox is that President Mitterrand claims more categoric loyalty to the Atlantic Alliance than any of his predecessors in the Gaullist era. So, far from asserting that France's nuclear arsenal can offer an alternative to the US deterrent, he believes firmly that the protection of Europe depends on the nuclear deterrents of all three Western nuclear powers, the US, France and Britain.

Yet it is hard to reconcile this with what now appears to be a nuclear doctrine which diverges markedly from that of the other allies.

What President Mitterrand did not do was provide a convincing alternative rationale for handling the problem of the West's conventional inferiority to the Warsaw Pact.

His advisers believe that this inferiority has been overstated, and also hope that Mr Gorbachev will follow his many other arms control initiatives with a proposal for large and asymmetrical cuts in Warsaw Pact forces.

In contrast, it would be hard to detect any doctrinal difference between the views of Mr Giraud and those of Nato. "Europe," he told Figaro, "cannot be guaranteed against a conventional attack either by conventional forces alone, or by strategic nuclear deterrence alone...Before resorting to strategic deterrence, we need intermediate nuclear forces which are sufficiently impressive to frighten an aggressor, sufficiently limited for their use to be credible."

It will be exceedingly interesting to see what comes of these intra-French divergences today and tomorrow when the Foreign and Defence Ministers of the seven member states of the Western European Union defence grouping hold a joint meeting in the Hague. In principle, they are due to break new ground by drawing up a statement of their common (ie European) interests in the security field. In practice, force of habit and a widespread anxiety not to offend either the US or other West European countries will make it difficult to break away from the standard language of Nato communiques.

They are also expected to agree to use the WEU for consultation on arms control issues. This may sound innocent but could lead to distinct differences with the US.

As President Mitterrand said in Bonn last week: "Everything requires us to adopt similar positions on the US-Soviet negotiations: the prospective agreement on the elimination of Intermediate-range Nuclear Forces, the reduction of strategic armaments, or the implementation of the Anti-Ballistic Missile treaty of 1972."

Until now, no European leader has been prepared to claim Europe's right to express a view on arms control talks which could directly affect its security, even though Europe has no legal standing in any of these bilateral negotiations. This may not be fighting talk, but it is symptomatic of the new mood in Europe after Reykjavik.

UK ELECTRONICS INDUSTRY

A shake-out, as the glamour fades

By Terry Dodsworth

THE STRUCTURAL changes which have swept through the UK electronics industry in the last month may, in the limited sense of their timing, be described as coincidence. But when coincidence becomes an underlying trend and when four companies out of the top five in the sector succumb to the same urge to join forces with someone else, it is hard to believe that something fundamental is not afoot.

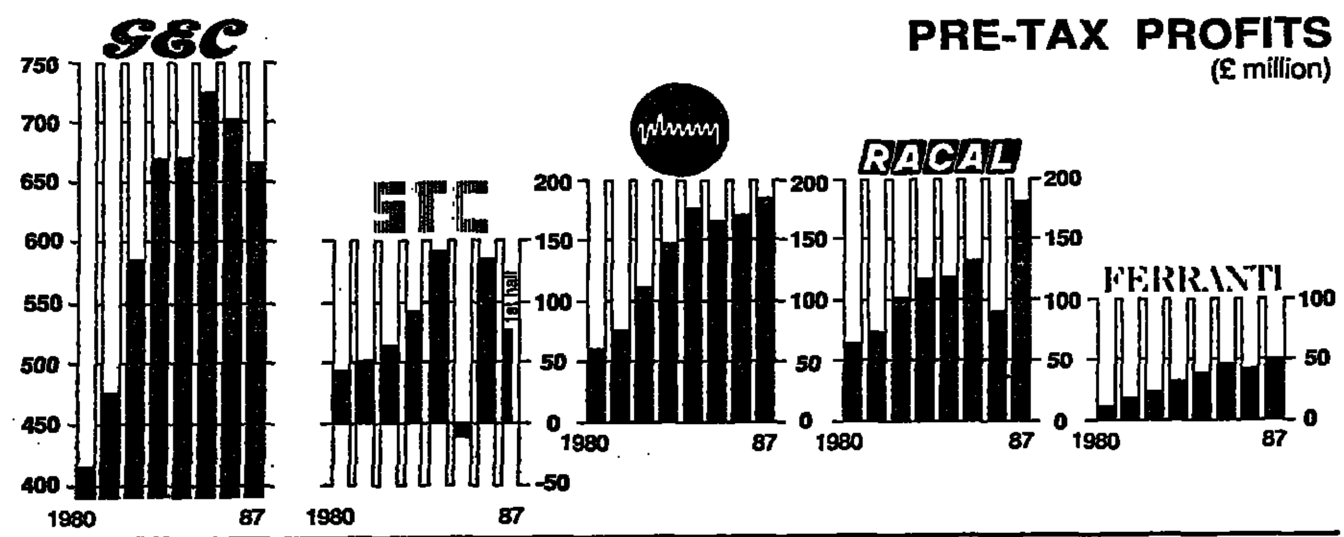
The most ambitious of these transactions was the agreement between the General Electric Company and Plessey on the future of a joint venture telecommunications company. Other deals and pending changes over the last few months include:

- The merger between Ferranti and International Signal and Control, the secretive US defence company.
- The decision by Northern Telecom, the Canadian telecommunications group, to acquire a 28 per cent stake in STC.
- Several restructuring moves by GEC, particularly the proposed merger of its medical electronics division with that of Philips, and its expansion in the US avionics sector by the acquisition of a division of Lear Siegler.
- Thorn EMI's sale of its Ferguson television division - a deal which virtually completed the departure of UK companies from television production.
- Thorn's proposal to find a partner for its Inmos semiconductor subsidiary, which is now being looked at by a number of companies.

In stock market terms there is nothing surprising in the rash of activity. Since the second half of 1982, when British investors were coming to the end of a romance with electronics stocks, companies in the sector have constantly under-performed the rest of the market. Share prices have gone up, but they have not kept pace with other parts of the economy - retailers, service companies and, more recently, old-fashioned engineering groups.

"In the recession in the early 1980s," says a London fund manager, "electronics companies were one of the few exciting stocks to buy. They were being popularised by the Government as a growth area, but more than that, these businesses were in areas which were protected from many of the pressures on profits by public sector procurement in defence and telecommunications."

The decline in the stock market's enthusiasm since then is to a large degree linked to the tougher operating conditions brought to bear on the companies' public sector activities in recent years. The Government's liberalising broom has swept through the telecommunications industry, opening up the market to more contractors and changing British Telecom from the position of benevolent patron to demanding customer. In defence, the steady expansion of the early Thatcher years has given way to a value-for-money drive and a slow-down in government spending.



At the same time, international competition has become more prevalent in the British market, regarded by many as among the most open in the western world. This is particularly true in telecommunications, where the country swung from trade surplus to deficit in 1983 and has been moving steadily further into the red on its trade account ever since.

But the changes are also reflected elsewhere. In defence, for example, the Government's decision to opt for the Boeing airborne early warning system (Awacs) rather than GEC's Nimrod was a blow to the domestic industry. The trade deficit in the electronic components sector leapt from £77m in 1980 to £804m last year.

The new market pressures have become increasingly evident in the profits performance of the industry since the early 1980s, when several of the electronics groups produced spectacular results. Annual profits growth of 20 to 30 per cent at that time has dropped below 10 per cent in some cases over the last two years, at a time when companies in less glamorous traditional manufacturing have been running up profits increases of well over 15 per cent after the cost-cutting of the early 1980s.

"These are the figures that made management act," says a senior executive close to the industry. "When you see a lot of merger activity such as we have had, you should always look at the profit and loss account and think about what it might look like in a couple of years from now."

Over the short term, industry executives believe that some of the alliances make industrial and financial sense because they will ease the process of rationalisation. This could be true, particularly, of the GEC-Plessey joint venture, which analysts expect to be followed by closures, and cuts in the workforce.

"Mergers give you a great deal of latitude in accounting terms to push reorganisation costs below the pre-tax line," says one financial executive. "I would be surprised if this issue was not exercising the minds of some financial departments."

The longer term aspects of the reorganisations, however, are much more important for the underlying health of the companies involved. What the deals aim to do is to tackle some of the structural weaknesses of the UK industry - its limited international market base, its narrow product lines and its growing anxiety over finance for research and development in a period of tighter profits and government stringency.

At the heart of this strategy lies the issue of internationalisation, because in electronics, more than in most other industries, products tend to travel so easily and rapidly across national boundaries. Given this ease of market access, success often depends on large volume sales; research costs are also high. These characteristics have been abundantly clear for years in those parts of the electronics manufacturing industry not strongly protected by government policies - computers, consumer electronics and semiconductors.

In responding to the move towards more open markets in their chosen niches, UK companies have some clear opportunities. In defence, for example, Whitehall believes the British industry compares favourably with what is on offer from most other countries. In telecommunications, the UK electronics groups have concentrated their resources on a fast-expanding business which is likely to double in size around the world over the next 10 years.

To take advantage of this growth, however, UK manufacturers will have to graft some new skills on to their businesses in selling overseas and in finding unexploited product areas. It is notable that a current Stock Exchange favourite in the sector is Racal, a company which looked vulnerable to takeover five years ago because of its lack of government-sponsored contracts, but which has since transformed its image by plunging into the extraordinarily buoyant car telephone business.

At present, analysts do not see any other potential Racals among the leading British groups. On the contrary, the talk in the City is more about further rationalisation and international alliances than organic expansion. Plessey is widely tipped as a takeover target and there is some expectation of a further regrouping in semiconductor manufacturing.

After largely escaping the shake-out which swept through the rest of British manufacturing after the 1981 recession, it now looks as though the electronics sector is in for a long period of similar treatment.

Letters to the Editor

Speeded up dealings

From Professor D Bell.

Sir, - In the absence of any easily recognised cause for the sudden fall of stock exchanges' around the world everyone is looking for a scapegoat; and one obvious question is whether the speeding up of dealings by the use of electronic communications and displays (eg 'Big Bang' in London) may lead to instability.

The Stock Exchange is difficult to interpret, because in normal times different sectors of the market behave independently, but currency exchange rates such as the pound-dollar can be checked by looking for changes in the behaviour of the longer term figures (monthly rates from the International Monetary Fund) and of the daily rates and spread of rates which are published in the Financial Times. Comparing the two twelve-month periods April 1976 - April 1977 and April 1986 - April 1987 one finds that the average monthly changes in the pound-dollar rate were 1.7 per cent and 1.6 per cent respectively. The difference is not significant and these comparatively slow movements are controlled by 'sentiment', rational or irrational.

If speculative activity (exemplified by televison pictures of an individual making a substantial profit on the currency exchanges in minutes) caused volatility of exchange rates, this volatility ought to show as an increase in the daily range. But examination of 17 days in January 1978 and 22 days in January 1987 showed average daily ranges of variation of 1.01% and 0.95% respectively, a difference which is probably not significant but if anything would suggest daily fluctuations are now reduced. The one factor which might disrupt either a stock exchange or a currency market would be the insolvency of a major operator; and for this reason central banks wish to introduce rules prescribing the minimum capital for any organisation trading in international currencies.

One may also question the real value of employing expert brainpower in hectic activity in pursuit of purely financial profit, but the question is not about the technology but about the human use of it.

D A Bell
87 East End
Walkington
Beverley
N Humberside

Unjustified fall

From Mr P Bull

Sir, - God forbid that taxpayers' money should be used to stabilise equity prices as Professor Buiter (October 22) suggests. Political influence of that sort should be kept well out of the stock market. Any bureaucratic hand, save perhaps that of the Bank of England, would be a recipe for disaster.

But a problem remains because London's prices collapsed despite the UK economy looking better that ever and real progress being made in correcting deeply ingrained structural problems. Of course some large and small UK companies are affected by developments in the United States, and the UK is affected by world events. But nothing happened to justify London's equity market fall.

So what went wrong to inflict such losses on innocent shareholders? Is the London market now no more than an extension of Wall Street and Tokyo, and just as vulnerable to their panics? If so, can nothing be done to protect the genuine longer-term UK investor from computer selling and the over-reaction of market makers?

We need to know precisely why there was a panic reaction in London. Was it started by foreign selling? What part did UK institutions play? Was the new market system mainly to blame? And what part did the UK private investor play?

If the facts were known it might be worthwhile the major UK institutions considering whether to set up some buffer mechanism to bring a stabilising and protective influence to bear in a wholly irrational market atmosphere. Such a mechanism might cause the perpetrators of the worst excesses to think twice; and it could be a factor to be built into computer programmes as a deterrent to their giving "sell at any price" instructions.

Despite the internationalisation of markets London needs to be protected from the worst impact of disasters not of its own making.

P J Bull
38 Radnor Walk, SW3

Troubles in Tibet

From Mr D Callund

Sir, - Your reporting on the recent troubles in Tibet has been good and I was pleased to read Robert Thomson's article on October 15.

Unfortunately, he follows the attitude of western journalists in general in saying that the Tibetans are pursuing "the futile quest for independence".

In the post-war period, the old colonial powers, in granting independence to their past colonies, have failed to defend those countries which have more recently become, effectively, colonised. Western journalists adopt eastern block rhetoric in referring to the partisans in Afghanistan as "rebels". Chinese action in Lhasa in 1959 (of which we have been so recently reminded) was an echo of Russian actions in Budapest in 1956.

Both were examples of colonial repression which has to be continuously condemned.

D F Callund,
Ovey's Farm,
Cookham, Berks.

The Indian economy

From Mr D Sehbai

Sir, - Although I found Michael Prowse's article on the Indian economy quite informative and reasonably objective, the letter from Major Delens about it (October 21) was a very biased reaction to it. It clearly shows Major Delens's antagonism towards India and betrays his ignorance of the economic achievements of post-independence India.

Of course, one cannot deny that India, like many other countries in the developing world, suffers from corruption and many unnecessary bureaucratic cntrols that hinder the growth of trade and industry. It is true that there are millions who still live below the poverty line in miserable conditions in spite of the very significant economic growth. This is due to the population explosion which has been outstripping the rate of economic growth. The Indian government is definitely guilty of not doing enough to solve the problem of population growth, which is undermining the country's achievements in the industrial and economic field.

Unlike Major Delens, I think India's priorities have been exactly right. The priority given to agricultural research and development and use of hybrid seeds produced the "Green Revolution" which has enabled the country to achieve self sufficiency in food in spite of the fact that India's population has more than doubled in the past 40 years. Nehru's emphasis on developing heavy industry has laid the foundations for a sound manufacturing base. This, however, was accompanied by protectionist measures against foreign imports, which was a bit overdone and resulted in inefficient manufacturing industries which took undue advantage of this protection and indulged in producing inferior goods at higher prices. With a populaton of over 800m, they were exploiting a very large "captive" market. For the last three years, however, Rajiv Ghandhi's government has taken steps to liberalise the economy, particularly the controls on imports. This should be welcomed and encouraged as these are measures in the right direction and good for the future health of India's economy.

Major Delens talks about the great gap between the "obscene wealth of a small minority and dire poverty of a very large proportion of the Indian population" but ignores (or is ignorant about) the very large middle class that has emerged in medium sized businesses in the last two decades could be the envy of many nations. If the government continues its policy of liberalising controls, there is a great future ahead for the new entrepreneurs and consequently for India's economy.

Daljit Sehbai
Reform Club,
Pall Mall, SW1

Misunderstood J-Curve

From Mr B Luckham.

Sir, - Daniel Salem (October 22) is quite right when he says that the continuous slide in the dollar is preventing any improvement in the US nominal trade deficit and undermining the expected J-Curve effects. The J-Curve shows that a once-and-for-all currency devaluation will, after an initial deterioration in the nominal trade balance due to negative price effects outweighing positive volume effects, lead to a reduction in a nominal trade deficit as imports and exports respond to relative price changes.

Ever since the dollar started to drop in 1985, economic commentators have assured everybody that the US trade deficit would start to improve as the J-Curve took effect. The combination of the dollar's steep fall and persistence of largemonthly nominal trade deficits in the US, however, has led to the effectiveness of the J-Curve being questioned, not to mention the effectiveness of economists!

In defence of the J-Curve it is important to realise that it is a theoretical construction. Econometric work has shown that it does work providing that the exchange rate is the onlyvariable which chages. All other variables - consumption, fiscal and monetary policy - are assumed equal. Obviously the assumption of ceteris paribus does not hold for the real world economy with the result that the expected theoretical effect of the J-Curve however still holds true and a devaluation will eventually feed through into the nominal trade balance.

Economic commentators have been correct in believing in the posiitve effects of the J-Curve, but woefully wrong in assigning the timescale needed for any improvement to show through. This is a direct result of a failure to understand the assumptions used in the theoretical construction of the J-Curve model.

Bruce Luckham,
150 Durnsford Road, SW19

FINANCIAL TIMES
Monday October 26 1987

John Elliott in Jaffna surveys the damage in a shell-shattered city

Breakthrough in Tamil stronghold

INDIAN ARMY commanders announced they had gained control of almost all main roads in the northern Sri Lankan city of Jaffna from Tamil Tiger extremists after 17 days of fighting. India is sending some civil servants to set up a civil administration there.

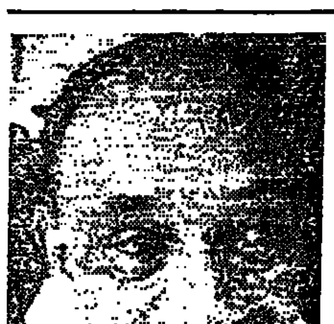
This is a major breakthrough because it ends the Tigers' three-year domination of the city. However, it cannot be claimed as a total victory for India's peace-keeping force because as many as 1,200 Tigers are estimated to have escaped the Indian Army's net. There is also extensive sniper fire, plus a large number of live booby traps and bombs, which are limiting the army's effective control of the city.

Lt Gen Depinder Singh, head of India's Southern Command which is conducting the operation, said in Jaffna yesterday that apart from an area of less than 2 sq kms. "the rest of the town is now in our hands". Part of that 2kms was taken late yesterday afternoon when Indian troops established control over a long stretch of road in the north of the city.

The Indian campaign is aimed at freeing the area from armed guerrillas resisting the three-month old Indian-Sri Lankan peace accord, agreed with President Junius Jayawardene, on the Tamil ethnic crisis.

Throughout yesterday, the silence of the shattered small city was broken by the sound of the army detonating booby traps and mines. Occasionally there was sniper fire, but there was none of the almost continuous firing reported last week.

The streets were deserted apart from army patrols which stuck to the main thoroughfares. Shops were shut in streets scarred by the almost endless exchanges of mortar fire between the Tigers and the Sri Lankan forces which preceeded this summer's Indian peace initiative.



As many as 1,200 Tigers are thought to have escaped the Indian Army's net, during the campaign to free the area from armed guerrillas resisting the three-month old Indian-Sri Lankan peace accord signed between India and Sri Lankan President Junius Jayawardene (left).

Public buildings, including a 30-year old Dutch fort now used by the army, and stylish old Dutch-designed courtyard bungalows set among palm trees and thick green foliage, have been bombed and burned beyond repair.

In the central hospital, which has escaped with relatively little apparent battle damage, crying women complained of the army bombing and shelling houses and temples, and killing and wounding civilians. The accusations illustrate the problems the Indian forces will now face with the civilian population, which has been alienated by the offensive.

However, the army chiefs denied widespread shelling. They stressed they had taken excessive army casualties because they had avoided strafing and bombing buildings. "We have operated with one and a half hands tied behind our back," said Gen Singh.

He said that 163 soldiers had been killed and 778 wounded, compared with 600 casualties among Tigers and their sympathisers. Estimates of civilian deaths range between 60 and 100.

The Tigers who have escaped the army's net around Jaffna are thought to include Mr V. Prabhakaran, the leader. They have fled to other parts of the Jaffna peninsula, much of which has been left in recent weeks without any active army occupation or policing by either Indian or Sri Lankan troops.

Most Sri Lankan troops left the peninsula in August for peace-keeping duties in the south of the island, while India has apparently not been able to spare more troops without depleting what it considers its essential army presence on its sensitive borders with Pakistan and China.

There is now a risk of guerrilla warfare elsewhere on the peninsula, or in the east of the island, if the Tigers refuse an offer of an amnesty, or if their leaders refuse to lay down their arms and make India a peace offer.

This could tie down a lot of the 16,000 to 20,000 Indian troops now on the island for a long period. "Once such an insurgency starts, anything could happen," said Gen Singh.

He also warned that "cleaning up the city of booby traps and mines will take some time - I cannot say whether it wil be two days or four or more."

Last night one Indian soldier was killed when an army lorry was blown up on a visit to 20,000 refugees in the city's main temple.

Gen Singh and other senior officers stressed that the army's action had not been a war, but an attempt to stop the Tigers undermining the Indian-Sri Lankan peace accord.

A Foreign Ministry official added that India's offer of an amnesty to the Tigers was still open, along with a willingness to continue a dialogue with the group's leaders.

Mervyn de Silva, in Colombo, adds: Sources close to the Tigers denied that the fight was over. They said that the Tigers were only moving into a new stage of the armed struggle in the face of a much stronger fighting force. "We cannot hold Jaffna any more, and we don't need to," the source said.

UK equities firms 'will sustain lead in London market'

BY BARRY RILEY IN LONDON

BRITISH securities firms, led by Warburg Securities, are likely to continue to dominate trading in the London equity market, according to 120 leading UK institutional fund managers polled in a special FT opinion survey to mark the anniversary of the Stock Exchange's Big Bang on October 27, 1986.

In the survey, which was conducted by MIL Research Group, respondents were asked which firms, British or foreign, were expected to emerge as clear winners by 1990. The answers can be used to draw up the following popularity league table:

1. Warburg Securities 50%; 2. James Capel 43%; 3. Barclays de Zoete Wedd 41%; 4. Phillips & Drew 26%; 5. Hoare Govett 18%; 6. Nomura 11%; 7. Citicorp Scrimgeour Vickers 8%; 8. Cazenove 8%; 9. Salomon Bros 7%; 10. Smith New Court 7%; 11. Goldman Sachs 5%; 12. Kleinwort Grieveson 5%.

The voting was highly concentrated on the top three, which are all British firms in terms of management, although Capel is strictly speaking a subsidiary of the Hongkong and Shanghai Banking Corporation.

Nomura's appearance as the top-rated foreign securities firm appears to imply that many British fund managers are more impressed by the patient build-up of the Japanese than by the more aggressive, but erratic, policies of the top US investment banks. Two US houses, Salomon and Shearson Lehman, after expanding rapidly last year, have just announced personnel cutbacks in London.

The 120 fund managers were unimpressed by the other leading US securities firms. Morgan Stanley received four votes, Shearson Lehman two and Merrill Lynch only one.

One year after Big Bang, which involved the abolition of fixed commissions and the introduction of a new screen-based quotations system, 76 per cent of the fund managers said they believed the revolutionary changes had been worthwhile.

But comparisons with a similar survey conducted just before Big Bang suggest that fund managers are continuing to deal on the traditional commission-paying basis to a much greater extent than they had anticipated.

Only a quarter of the institutions do more than 50 per cent of their business on a "net" basis directly with market makers. The poll indicates that fund managers are still widely using brokers as agents, and institutions are not employing their own in-house dealers any more than a year ago.

Details Page 2; Editorial comment, Page 20

THE LEX COLUMN

Banging the big drum

Given the option, London's Stock Exchange would doubtless have chosen another time to be celebrating Big Bang's anniversary. At present, those involved in the London equity market find the new system's development over the past year rather less gripping than its performance over the past week. The conditions facing it have been so unprecedented that there is no telling how the old jobbing system would have coped, though one might guess that the result would have been a little less volatility and a lot less volume.

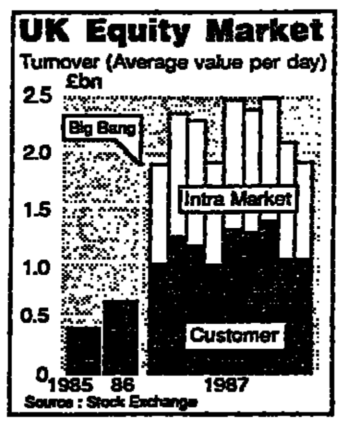
On the other hand, the system can take some credit for having functioned at all. The crisis threw into relief a central difficulty of the post-Big Bang market, whereby a couple of dozen competing market makers quote prices in full view of each other. Accusations of phones left off the book grew louder last week, but it appears that market makers did their best to service genuine institutional clients. What they may not have done is provide a conscientious service to brokers acting for private clients; and in fighting for survival, they certainly departed from the rules in giving a brusque response to fellow market makers seeking to take advantage of their prices.

Allowing for a serious question mark over private client service, the system seems to be doing its main job of keeping the users happy. The great majority of institutions polled in the FT survey published today prefer the new system to the old, for the simple reason that it is cheaper to deal. The stated drawbacks have to do with conflicts of interest, the lack of personal service and the decline in the quality of research.

The last problem may prove temporary. Most institutions put it down not to an increased concentration on deal-making, but to the fact that the research has become superficial. This will be due partly to increased demand for analysts, which has inevitably been satisfied by inexperienced personnel, and partly by the eclipse of fundamental research in the face of outrageous share prices. Just lately, both problems appear to have solved themselves.

Gilt-edged

It is probably wrong to measure the success of the newfangled gilt-edged market in London by the losses of the 26 market makers which now operate in it. The thought that they have collectively lost perhaps £100m ($167m) since the June general election, which marked



the beginning of the slide in gilt prices, can only superficially be read as good news for their customers. Institutional investors are now dealing on narrower spreads and for nil commissions, which can be taken as evidence that Big Bang did the trick in bringing competition into a cartel.

Yet it is to no-one's long-term benefit for the market makers to continue to be weakened by losses. As everyone knew at the outset, and as Lloyds Bank acknowledged by pulling out in June before the worst of the slide, there are far too many of them. From tomorrow, yet more potential market makers will be able to apply to the Bank of England. Meanwhile the bulk of the business is being handled by a minority of the existing players. But the long-expected (and now much needed) shake-out has shown few signs of arriving.

It is easy, but probably not entirely fair, to criticise the Bank of England for allowing this situation to come about. The first argument is that the Bank should have imposed tougher standards on market makers. Yet it is hard to see how it could have justified stricter rules than that each market maker has sufficient capital and operates properly in the market. There is a suspicion, though, that the Bank is being too soft, for example if, as alleged, some market makers are not making continuous two-way prices. If market makers are failing on either count, the Bank should be tough in expelling them for the sake of the market.

The second bone of contention some market makers have with the Bank is that it is trying to operate the new system in the cosy way that it ran the old market. If the new market is to be run on harsh commercial lines the Bank must stand back and deal with each market maker on an equal and arms-length basis. To that end, the method of new stock issues ought to move more towards US-type auctions from the present mixture of old and new style funding. The Bank could not then be accused of supplying stock while knowing that prices were about to be knocked by some piece of bad news, or of being over-protective in offering assistance to market makers afterwards.

Internationalisation

There is a strong perception that Big Bang has strengthened London's position as an international financial centre. The breakdown of barriers between specialist financial firms has clearly helped some foreign banks, such as Citicorp, to put together financial conglomerates in the City of London which would not be permitted in their own country. It has also strengthened the position of UK players, such as S.G. Warburg, which want to be able to run with the big boys in the global capital markets. An investment bank or a commercial bank can do considerably more in London than it can in New York or Tokyo, the world's two biggest capital markets, and the liberal policies of the UK regulators, when combined with traditional advantages such as the City's position in world time zones and its communications network, have enhanced London's importance as a world financial centre.

But its success to date has had little to do with the ingenuity of its own financial institutions. UK commercial banks and merchant banks have been slow to conquer the international marketplace, contributing only marginally, for example, to the success of the London-based Eurodollar and Eurobond markets. London has prospered as a financial centre because it is a convenient place through which non-UK firms can channel their business. City firms point with pride to anecdotal evidence about the volume of foreign equity trading which is being done in London versus domestic markets, and the growing amount of international money which is being run out of London. But the key to the City's international success has less to do with Big Bang than with its traditional attitude of laissez-faire. The longer it takes to formalise self-regulation, the bigger the risk of a bureaucratic stifling of the City's biggest advantage.

Regulators to discuss Brazil's debt status

By Alexander Nicoll in London

BRAZIL'S leading creditor banks met over the weekend in last-minute efforts to thrash out a deal with the Brazilian Government before a key meeting of US banking regulators which begins today.

The regulators are expected to discuss downgrading Brazil's debts to "value-impaired" status. The move would force new losses on US banks and considerably worsen the chances of an agreement ending Brazil's eight-month-old suspension of interest payments on its $68bn longer-term debts to banks.

That, in turn, could mark a further weakening of strategy for handling the five-year-old developing country debt crisis.

Banks have been attempting to strike an interim agreement under which Brazil would make an interest payment, lessening the chances of a downgrading. The 14-bank advisory committee is expected to resume discussions with the Brazilians in New York today.

The Inter-Agency Country Exposure Review Committee, which begins its regular meeting in Washington today, brings together staff of the Federal Reserve, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Its purpose is to ensure that US banks, which are overseen variously by the three bodies, depending on their charter, share essentially the same regulatory treatment of their loan portfolios.

Though the agency could decide to lower a country's loan status because, as in Brazil's case, interest is more than six months overdue, officials say that the committee does not take a rigid approach.

It could decide to delay a downgrading if a country had economic reforms in train or was in serious negotiations.

Some bankers believe the inter-agency committee would be unlikely to downgrade Brazil, given the fragile state of the world's stock markets, since a deterioration in the Third World debt crisis could make bank shares even more vulnerable.

US banks would have to make specific provisions for Brazilian loan losses. These could not continue to be counted in their primary capital, as were the general provisions against developing country loans.

GEC says crimes squad raid at Marconi was unnecessary

BY DAVID BUCHAN AND NICK GARNETT IN LONDON

GENERAL Electric, the UK electronics group, said yesterday that it had conducted an internal investigation of fraud allegations at its Marconi Defence Systems subsidiary and found nothing that warranted the raid on Friday by Ministry of Defence police.

In a statement that expressed both hurt and annoyance, Mr Michael Lester, GEC's director of legal affairs and a GEC main board director, said the raid was "unnecessary and somewhat melodramatic."

Members of the MoD's serious crimes squad raided a laboratory in Portsmouth, southern England, belonging to Marconi Secure Radio Communications in a significant stepping up of the investigation, started late last year, into fraud allegations at Marconi.

The inquiry has developed into one of the most serious of recent years, with the Director of Public Prosecutions (DPP) now taking charge of an internal MoD investigation and ordering Friday's search.

Mr George Younger, the Defence Secretary, came under pressure yesterday to make a full statement in Parliament about the inquiry. A two-day debate on defence is due to begin tomorrow during which Opposition MPs will raise the affair and its ramifications for the defence budget.

The inquiry began when an ex-employee of Marconi Underwater Systems, the sole UK torpedo-maker, sent the MoD some internal company documents. "The case has broadened quite considerably since then to involve other divisions of Marconi," a ministry spokesman said yesterday.

The inquiry centres on allegations that Marconi companies made excess profits on past "cost-plus" contracts, a type of contract gradually being phased out in favour of fixed price arrangements.

GEC attempted but failed in the High Court on Friday to block the search warrant eventually used at Portsmouth. It may challenge the legality of that warrant in the courts again this week.

The statement by Mr Lester said GEC was known as an honourable, honest and straightforward company and, as the UK's largest manufacturing group, "will give full support to our employees and managers if they are unfairly harassed or impugned."

He said, though, that if someone had broken the company's rules or the law "we will take, or fully support the taking of appropriate action."

The MoD places contracts worth more than £250m ($418m) a year with Marconi companies, and Defence Systems, which employs 5,000, is the prime contractor for the troubled Foxhunter radar system in the Tornado fighter.

Thatcher ready to resolve fight over Conservative chairman

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

MRS MARGARET THATCHER, the British Prime Minister, will this week resolve an unusually public battle by ministers and advisers for influence in the Government by deciding whether Lord Young, the Trade and Industry Secretary, becomes Conservative Party chairman in succession to Mr Norman Tebbit.

The appointment of Lord Young to both jobs is generally expected at Westminster despite the opposition of Mr Tebbit and several senior ministers. They feel that this would give him too much influence and produce a conflict of interest as the chairman's duties include raising party funds from British industrialists and financiers.

This conflict may be resolved by transferring responsibility for some regulatory decisions to Mr Kenneth Clarke, Lord Young's deputy and a Cabinet member.

The row has become associated with a furious public argument between rival advertising agencies about their contribution to the Conservatives' election victory in June.

A vigorous counter-attack has been mounted over the weekend by Saatchi and Saatchi, the world's largest agency which recently ended its near 10-year association with the Tories because of the growth of its other business involving the Government.

Associates of other advisers, including Young and Rubicam and Mr Tim Bell, formerly with Saatchis and now with Lowe, Howard-Spink and Bell, have claimed they had an important say in campaign decisions.

Saatchis have released an exchange of letters with Mrs Thatcher in which she says the group presented Tory policies "skilfully and effectively." She also notes how Saatchis is "a remarkable example of how enterprise can transform a company."

The attack was continued at a weekend conference on the election campaign at Essex University when Mr John Sharkey of Saatchis noted that his company was challenged by two other agencies. He questioned the versions offered on behalf of Mr Bell and Young and Rubicam, but acknowledged that the interventions of "friends from the past" had contributed to altering some of the balance of the £2m ($3.3m) press advertising in the final week of the campaign. However, he stressed that all the adverts were handled by Saatchis.

This battle has become tied in with the debate over the party chairmanship as Mr Tebbit has publicly endorsed Saatchis and Mr Bell is a close ally of Lord Young, who was put into Conservative Central Office as the campaign started.

At the Essex conference, Mr Tebbit implicitly criticised Lord Young and other advisers, saying "too many cooks can always spoil the broth - especially if some of them are intent on trying their own recipes without telling the chef."

At the same conference Labour's advertising advisers admitted that their objective had been to push the Social Democratic-Liberal Alliance into third place.

Continued from Page 1

Wall St counts the cost

Options to sell the Standard & Poors indices, which seemed to have little chance of being called two weeks ago, shot up in value by 50- or even 100-fold on Monday alone.

Dozens of traders who sold such options been ruined as a result - but the option clearing mechanism itself emerged over the weekend as one of the first places where cracks have become visible in the very foundations, not just the superstructure, of the US financial system.

Last Thursday, First Options of Chicago, the biggest options clearing house in the US, received a capital transfusion to cover the losses of options-writers wiped out in Monday's crash.

On Friday, the Chicago Tribune reported that $100m in losses had been suffered by traders on the Chicago Board Options Exchange alone.

US individual investors themselves are stunned: practically nobody showed up at many retail brokerages up and down the country which had decided to stay open on Saturday to cope with an anticipated flood of inquiries and perhaps even buy orders from small investors.

Wall Street may now be offering 'bargain basement' stock prices. Merrill Lynch, along with many other brokers and investment institutions, have launched massive advertising campaigns, suggesting that buying stocks had somehow become a patriotic duty. 'We're still bullish on America', proclaim the advertisements from Merrill. But most of the retail brokers privately agree that it will take a long time to restore the small investor's trust in Wall Street.

● In London, Mr Nigel Lawson, the Chancellor of the Exchequer, offered no weekend comment on the stock market collapse and other Treasury ministers were similarly silent.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	22	72	Malta	F	25	77	Rhodes	S	24	75
Algiers	C	33	91	Edinburgh	F	11	52	Manchester	S	10	50	Rio de J'o	C	27	81
Amsterdam	S	13	55	Faro	F	20	68	Manila	S	32	90	Rome	F	24	75
Athens	S	22	72	Florence	S	21	70	Melbourne	F	19	66	Salzburg	C	12	54
Bahrain	S	32	90	Frankfurt	S	10	50	Mexico City	-	-	-	San Francisco	C	25	77
Bangkok	S	32	90	Funchal	R	17	63	Miami	C	27	81	Seoul	S	15	59
Barcelona	F	22	72	Geneva	C	14	57	Milan	C	16	61	Singapore	C	33	91
Beirut	-	-	-	Gibraltar	C	20	68	Montreal	C	11	52	Stockholm	C	6	43
Belfast	C	9	48	Glasgow	C	10	50	Moscow	S	2	36	Strasbourg	C	9	48
Belgrade	F	19	66	Guernsey	S	13	55	Munich	C	12	54	Sydney	C	17	63
Berlin	C	8	46	Helsinki	R	4	39	Nairobi	F	28	82	Taipei	C	25	77
Biarritz	C	16	61	H. Kong	C	23	73	Naples	C	23	73	Tangier	C	21	70
Bombay	S	33	91	Innsbruck	C	14	57	Nassau	S	30	86	Tel Aviv	F	23	73
Bordeaux	R	13	55	Inverness	F	13	55	New Delhi	S	30	86	Tenerife	C	22	72
Brussels	S	12	54	Islamabad	S	32	90	New York	F	19	66	Tokyo	C	17	63
Budapest	F	12	54	Istanbul	Fg	17	63	Nice	S	22	72	Toronto	R	9	48
B. Aires	C	17	62	Jakarta	S	34	93	Nicosia	F	23	73	Tunis	S	31	88
Cairo	C	25	77	Jersey	S	13	55	Oporto	F	18	64	Valencia	F	21	70
Cape Town	F	19	66	Jo'burg	T	24	75	Oslo	S	7	45	Venice	S	18	64
Caracas	S	29	84	Lima	-	-	-	Paris	S	9	48	Vienna	C	11	52
Casablanca	C	20	68	Lisbon	F	16	61	Peking	-	-	-	Warsaw	C	11	52
Chicago	C	7	45	London	S	13	55	Prague	R	8	46	Washington	-	-	-
Cologne	S	11	52	Los Angeles	S	24	75	Reykjavik	R	4	39	Zurich	C	16	61
Copenhagen	F	10	50	Luxembourg	S	7	45								
Corfu	S	24	75	Madrid	F	18	64								
Dallas	-	-	-	Majorca	S	29	84								
Dublin	C	11	52	Malaga	C	21	70								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Continued from Page 1

US rules out concessions

Mr Shultz made it clear that he regarded the whole issue of a summit as now being up to the Soviet Union. "There is an invitation open to Mr Gorbachev. When he is prepared to accept it, we will be ready to receive him," he said.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, expressed his own confidence that a summit in the US would still be called this year, on the grounds that Mr Shultz and Mr Shevardnadze, US Foreign Minister, had already started discussing plans for a follow-up in the Soviet Union in 1988.

Mr Genscher also expressed his happiness with the agreement reached in Moscow on how to handle the 72 West German Pershing 1A missiles in the INF treaty. The Pershings themselves will not be mentioned, but the US warheads will be dealt with in the same way as other INF "once they are unencumbered by the co-operative system," to quote Mr Shultz.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday October 26 1987

INTERNATIONAL BONDS

Market makers run for cover as lean times get tougher

BY STEPHEN FIDLER IN LONDON

AMID all the noise in the world's financial markets last week, in the background there was a familiar sound: that of Eurobond traders running for cover.

For a large part of last week the Eurobond market was effectively shut down. Even on Wednesday, a relatively calm day, between a quarter and a half of the registered market makers were estimated not to be making markets.

In the widespread disarray of last week, the caution of the Eurobond houses was understandable. But they have again emphasised the fragility of liquidity in the Eurobond market which was dramatically underscored in the summer when the US announced it intended to terminate its tax treaty with the Netherland Antilles.

The US Treasury market also faced liquidity problems but they were of an entirely different order. "You can still do $100m of bonds but that's not to say you'll like the price you get," said one dealer.

Last week brought immense confusion about the value of shares and bonds, not least among dealers whose strenuous efforts not to run positions in the Treasury market – passing the parcel from one to another – has contributed to the volatility. If at the beginning of the week US houses were running substantial short positions that caution was understandable.

In the absence of an alternative rationale, traders were guided by a new market rule: bond prices move in the opposite direction to share prices.

Prices of Treasuries rose sharply over the week, with the yield on the 30-year bond swinging by an enormous 1½ percentage points during the week, ending with a yield of just over 9 per cent. Further gains are ahead if Salomon Brothers' Mr Henry Kaufman is to be believed. He predicts the long bond yield may decline to 8 or 8½ per cent by the year-end in the easy monetary environment the Federal Reserve has encouraged to stem the recessionary fears brought about by the share collapse.

Price gains in the Eurodollar bond market were of course more modest. Its lack of liquidity meant that yield spreads of Eurobonds over Treasuries widened significantly, a trend reinforced by the understandable preference of investors, who had just dived out of a collapsing stock market, for government rather than corporate bonds.

Nevertheless, in the US corporate bond market, new issue followed new issue to market. A total of $1bn of bonds were launched on Friday alone into the US market, proof surely of the penalty the Eurobond market pays for the lack of commitment of many of its traders.

If new issues of straight Eurobonds are expected to be modest, their prospects are infinitely better for the moment than for equity-linked issues.

With stock markets collapsing around the world, four Japanese equity warrants issues denominated in dollars, including an $80m issue for Hokkai Can, were withdrawn. Plans for numerous other equity-linked deals, such as a proposed $100m convertible for Equiticorp of New Zealand through Credit Suisse First Boston, were abandoned. Terms on others, such as the £50m sterling ($83m) deal for Avis, were substantially revised.

But the most controversial move of the week must have been Merrill Lynch's decision to withdraw issues of convertible bonds totalling A$1bn for Bell Resources, the mining and energy arm of Mr Robert Holmes à Court's Bell Group.

Merrill cited "unprecedented volatility and adverse changes in world financial market conditions" as the reason for its decision.

It said it had been discussing possible alternatives with Bell Resources over the issue, which was convertible into BHP shares, but "has reluctantly concluded that it is not possible to proceed with the issue in its original form."

The withdrawal certainly came late in the day. The deal, launched on October 7, had not been signed but terms had been fixed since October 13. Initially, the £50m sterling and the A$200m portions had sold well, though the $550m tranche had been slower to move.

The 25 per cent slump in BHP's share price since launch had meant that the bonds had fallen to discounts of 10 per cent or more, according to Merrill which said it was the only market-maker.

The move was said to have angered Bell, which was expected to use the proceeds to refinance existing debt. It also upset a number of co-managers who had successfully placed the bonds. On the other side, some investors were said to be putting the lead manager under pressure to withdraw it. Market talk suggested Merrill had been sitting on a large position in the bonds and that had been an important factor in its decision to pull the deal.

Not so, says the US firm. Agreeing that it was unusual action, Merrill officials cited unprecedented uncertainty in all major financial markets. The time the firm spent talking to Bell in an attempt to seek alternatives delayed the eventual decision. Merrill received only one telex of complaint at the move.

Merrill's policy is not to discuss the size of its book. "Whatever the book was – whether it was showing a loss or a profit – that was not the reason for the decision," said Mr Cliff Dammers, executive director of the firm.

Still in the world of equity-linked securities, the London-based market in Japanese equity warrants reopened on Friday after its closure on Thursday afternoon, when the market was overwhelmed with sell orders.

The market reopened with its dealing spreads widened to two points from 1½ and the size of a round lot down to 25 warrants from 50. Today, the 10 market makers meet to discuss last week's frenetic activity and attempt to make sure trading keeps going even when times get tough.

INTERNATIONAL CREDITS

Bankers poised for rapid return to straightforward loans

BY ALEXANDER NICOLL IN LONDON

FEW PEOPLE could be said to be rubbing their hands with glee at the turmoil in the world's financial markets last week. But bankers in the Eurocredit market are cautiously predicting that it could presage the resurgence of the good old-fashioned bank loan.

A more immediate effect was to stimulate perhaps record activity in issuance of Eurocommercial paper, particularly in top-rated issues, as investors sought to put their money in top-quality, short-term instruments. Falls in interest rates also stimulated interest.

The stock market crash is likely to put an end for the time being to Eurocredit financing for such transactions as leveraged buyouts, and complex funding packages involving the issue of equity. It may also slow overall business somewhat, since all financial market participants must be reluctant to make any form of commitment in such uncertain times.

Syndicated loan business has, however, already been picking up this year, following the collapse of the floating rate note market and amid difficult times for bonds not linked to equity. Its continued progress will clearly depend on a number of factors, including the extent to which the US and other economies go into recession, affecting borrowing demand.

There does seem some likelihood, however, that borrowers will be turning back to banks for straightforward longer-term loans, since securitised financing may be either less available, less reliable, or less financially appealing.

The effect on pricing of loans is less clear. Given the keen competition between banks for mandates, syndicated loans seem never likely to turn fully into a lenders' market. However, a small upward trend in interest margins has already been seen this year. Japanese banks, with official coaxing, are seeking higher returns on their lending.

Banks also face higher costs of capital due to tougher and co-ordinated capital adequacy requirements, reducing their willingness to do deals of doubtful profitability for the sake of building a relationship. Increased demand from borrowers could increase the trend towards higher spreads.

Not all transactions follow the trend to higher margins. In France, corporate borrowers have caught on to the UK fashion for restructuring banking relationships into multiple option facilities and competition for mandates is clearly ferocious. The facilities typically involve options in either domestic French francs or Eurocurrencies.

Lafarge Coppèe, the cement group, mandated Crèdit Lyonnais and Crédit Commercial de France for a facility involving domestic and Eurocommercial paper programmes, advances through a tender panel, and including an Ecu 450m five-year standby. There is a facility fee of 4 basis points, and borrowings in Eurocurrencies carry no margin over London interbank offered rates (Libor), while those in francs are at 10 basis points over the Paris domestic equivalent, Pibor. There is a utilisation fee of 3 basis points up to 50 per cent usage and 6 basis points above that level.

Valeo, a vehicle parts maker, is to have an Ecu 150m five-year facility mandated to Banque Indosuez, with a 7 basis point facility fee, and margins of 10 basis points above Libor in Eurocurrencies, and 20 basis points above Pibor. The utilisation fees start at 2.5 basis points above 25 per cent usage, rising to 5 basis points over 50 per cent.

British borrowers are yet to be outdone, however. Mountleigh Group, the UK property concern, has signed a £200m ($332m) two-year revolving loan, extendable to five years at the banks' option. The loan is underwritten and provided by Credit Agricole and Citicorp Investment Bank, which is seeking the participation of a small number of other lenders. There is a commitment fee of 12.5 basis points, and the margin is 50 basis points for the first year and 37.5 basis points thereafter.

Credit Suisse First Boston has been mandated by Homestake Mining, a San Francisco mining company, for a $75m five-year loan, with a 10 basis point commitment fee and a margin of 30 basis points over Libor.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1918.8	242.8	736.0	5143.3
Prev	1338.2	385.1	0.0	6732.5
Other	950.2	144.8	271.1	508.2
Prev	1431.9	484.5	615.9	502.7
Secondary Market				
US$	24567.7	1744.4	14963.6	6214.9
Prev	23680.2	2613.4	11062.3	5656.2
Other	17498.6	1240.7	3986.5	16161.3
Prev	17727.9	1205.1	4282.9	13868.6

	Cedel	Euroclear	Total
US$	14218.0	41313.5	55531.5
Prev	15021.4	36346.5	51367.9
Other	18261.2	22500.2	40761.4
Prev	16201.7	23917.8	40119.5

Week to October 22, 1987 Source: AIBD

Stock price fall sparks bid for Triangle

By James Buchan in New York

MR NELSON PELTZ and Mr Peter May, who used "junk" financing to build Triangle industries into the world's largest packaging company, are seeking to exploit the collapse in stock prices to take all but complete control of Triangle for $625m in cash or a quarter of its annual sales.

Mr Peltz and Mr May, who are chairman and president of Triangle and are among the highest-paid executives in the US, said they had proposed to buy the Triangle shares they do not own for $25 cash apiece and $10 in a low-grade security. Triangle, which was trading at around $40 a share before the market started falling 10 days ago, closed last week at $28½, up $2¼ in response to the offer.

Triangle, which in 1984 had only $290m in sales from copper wire, cable and jukeboxes, were transformed by highly leveraged acquisitions under Mr Peltz and Mr May, who currently own 13 per cent of the company but control 56 per cent of its votes through a heavy-voting issue of preferred stock.

With the aid of high-yielding bonds issued by the celebrated California financier Mr Michael Milken, the two men bought National Can, the glass and metal container manufacturer, and the packaging arm of American Can.

The offer is being made by CJI Industries, the former Central Jersey Industries, a bankrupt railroad company which Mr Peltz and Mr May used last year as a shell to raise some $300m in new acquisition financing.

Under the offer, Mr Peltz and Mr May will swap their holding in Triangle for a new issue of CJI preferred stock which will give them 80 per cent of the voting rights of the new company.

Rey joins fray for Sulzer stake

BY WILLIAM DULLFORCE IN GENEVA

MR WERNER REY, the Swiss financier, has joined the tussle over the large minority stake in the voting capital of Sulzer, the Swiss engineering company, built up by Mr Tito Tettamanti, a Lugano-based lawyer, and his associates.

After talks with Credit Suisse, which has been advising Sulzer, Mr Tettamanti last week offered to sell some 35 per cent of Sulzer's 199,000 registered shares at a price exceeding SFr8,000 a share. This would imply a total price of between SFr550m and SFr600m ($366m to $400m).

Credit Suisse and another big Swiss bank then approached Mr Rey, who announced on Friday that he was interested in principle in taking a stake in Sulzer. However, he posed three conditions.

One was that the price had to be right. In a letter to shareholders last week, Sulzer described the offered price as grossly exaggerated.

Sulzer's registered shares had risen steadily in price earlier this year, from SFr2,800 to SFr7,000 but, after last week's stock market gyrations, they were being traded at SFr5,700 in Zurich on Friday.

Other conditions posed by Mr Rey, according to a spokesman, are that his purchase of a substantial stake in Sulzer should make "industrial sense" and that it should ensure Sulzer's continuation as an independent Swiss company.

Mr Rey's staff is already examining how an association with Sulzer could enhance the prospects of Ateliers de Constructions Mecaniques, the engineering group based at Vevey and controlled by Mr Rey.

Since his arrival on the Swiss business scene in 1977, when he reportedly made a SFr30m profit from the purchase of the Bally shoe company and its subsequent sale to the Oerlikon-Buehrle group, Mr Rey has built up a diversified financial and industrial group under Omni, his Zurich holding company.

It includes Inspectorate International, a services company specialising in quality control, and a 40 per cent stake in Swiss Cantobank (International). In August, Mr Rey bought Jean Frey, Switzerland's third biggest publisher, for SFr210m.

Mr Alfred Sulzer, company secretary, said Mr Rey had already given an assurance that he would not buy a stake in the Winterthur-based group against the wishes of the Sulzer board.

Sulzer had had dealings with Mr Rey earlier and had confidence in him, Mr Sulzer said.

In its letter to shareholders last week Sulzer said it was applying its juridical right to ensure that voting rights remained with registered shareholders and would not be transferred to subsequent buyers of registered shares.

Before selling, shareholders were asked to contact the management, which was ready to assure the placing of shares with investors interested in long-term placements.

Earlier this month, Sulzer limited to 1,000 the maximum individual holding of shares which could be registered, reducing it from the previous ceiling of 3,000 imposed in May.

Nobel lifts profits 40% at eight months

BY SARA WEBB IN STOCKHOLM

NOBEL INDUSTRIES, the Swedish chemicals and armaments group, reports a 40 per cent increase in profits for the first eight months of of this year, as its ordnance, pulp and paper chemicals, and adhesives and paints operations showed strong improvements.

Group profits (after financial items) reached SKr305m ($47.9m), compared with SKr218m last year, and full-year profits (after financial items) are expected to be SKr550m, up 19 per cent from the 1986 figure of SKr461m.

Group sales rose 11 per cent, to SKr8.144bn, in the eight months.

Nobel said that profits after financial items in the pulp and paper chemicals division rose by 89 per cent, to SKr102m, on static sales of SKr789m, chiefly due to improvements in its bleaching and paper chemicals business.

In the past couple of years, Nobel has invested in two bleaching chemical plants in North America which are now operating well, and as the forestry sector has shown a recovery, demand for pulp and paper chemicals has increased.

The ordnance division (Bofors) showed a 17 per cent increase in profits, to SKr210m, while invoiced sales rose by 24 per cent, to SKr2.1bn. The improvement is due to Bofors' SKr8.4bn order from the Indian Government, which has generated considerable political uproar in India and Sweden over allegations that Bofors paid bribes to secure the deal.

The Indian order has also resulted in a pick-up in the chemicals and explosives division, which increased sales by 14 per cent, to SKr626m, and yielded a profit of SKr17m, compared with last year's small loss, of SKr1m. A further reason for the improvement was increased demand from the pharmaceuticals sector.

Acquisitions last year in France and Italy have helped to boost the adhesives and paints division, where profits rose by 46 per cent to SKr205m and sales rose by 27 per cent to SKr2.4bn.

However, weaker demand for pesticides (due to the poor weather) has resulted in losses of SKr16m for the specialty chemicals division, which last year showed a profit of SKr47m. Sales dropped from SKr1.04bn to SKr960m.

Advance at Osaka Sanso

By Ian Rodger in Tokyo

PRE-TAX profits of Osaka Sanso (OSK), the Japanese industrial gases group in which BOC of the UK has a controlling position, rose by 30.2 per cent to Y746m ($5.2m) in the six months to September 30.

However, OSK, Japan's third-largest gases group, said the improvement was largely because of the reduction of interest charges following advance repayment of debts. The company has repaid Y3.8bn in borrowings from the proceeds of issues of convertible bonds and bonds with warrants.

Operating income dropped by 54.1 per cent, to Y256m, on sales of Y20.25bn.

Setback for Christiania Bank

BY KAREN FOSSLI

CHRISTIANIA BANK, Norway's second largest bank, saw operating profits fall 20 per cent to NKr727m ($109.7m) on group earnings of NKr42.58 a share in the first eight months of the year, compared with NKr904m in 1986, because of the downward pressure on the interest margin.

In the second four-month period, operating profits also slipped, to NKr315m, from NKr412m in 1986. Christiania said, however, that it "enjoyed a high yield" from securities holdings during the second four-month period, although this was offset by narrow interest margins.

The bank said that return on total assets, which is calculated as the operating profit before losses and taxes divided by average total assets, reached 1.32 per cent for the period January to August, while for the group the figure was lower at 1.04 per cent.

Christiania is projecting the year-end outlook to be bleak, due to considerably greater losses in the domestic bank branch network and several large-scale projects.

The bank's total assets increased by NKr16.9bn, or 23.4 per cent, to NKr89bn, while the group's total assets increased by NKr16.7bn, or 17.7 per cent, to NKr111bn.

Christiania grew strongly in the second four-month period, but the demand for loans decreased.

●Kvaerner Industrier, the Norwegian industrial group, reports a fall in profits before extraordinary items in the eight months to the end of August, to NKr146m ($22m) from NKr160m in the corresponding period of 1986.

Turnover for the group during the period reached NKr3.5bn, compared with NKr2.5bn in 1986. For the whole of the year, Kvaerner expects a turnover of NKr5.5bn.

Kvaerner expects to post year-end profits of NKr300m, before extraordinary items, compared with NKr269m

US broker examines Jardine retreat

By Our New York Staff

BEAR STEARNS, the Wall Street securities trader, is examining legal remedies against Jardine Matheson, the Hong Kong trading house, for withdrawing its $390m offer to buy 20 per cent of the firm.

The deal is the latest of a wave of transactions to collapse since Monday's worldwide stock market crash. But Bear Stearns, pre-eminent among the firms specialising in the badly demoralised trade in takeover stocks known as risk arbitrage, moved quickly to dispel the cloud over its name left by Jardine's sudden departure.

Mr Alan Greenberg, Bear Stearns' chief executive, said: "Notwithstanding recent developments in the financial markets, Bear Stearns' financial position is about the same as it was on September 25, 1987, when Jardine agreed to make its offer."

The firm had hired new people and staff was coping with back-office chaos caused by record trading turnover. "In some ways, we are a stronger firm today than we were before the recent market break. We are also exploring all of our legal options."

Jardine Strategic Holdings, a Jardine subsidiary, had announced earlier that it was abandoning its most ambitious recent diversification and would drop its tender offer for up to 20 per cent of Bear Stearns at $23 a common share and $228.72 per preferred share.

Mr Brian Powers, managing director, said that Jardine "was not bound to proceed" and the deal was simply "no longer in shareholders' interests."

Though regarded as one of the ablest traders on Wall Street, Bear Stearns has seen its stock price fall further than most other securities stocks - to just over $12 on Friday. Bear Stearns invests aggressively in actual and potential takeover stocks and these have tumbled because the market fears that even agreed deals will not be completed.

Arbitrageurs, forced to liquidate big holdings to replenish their lenders' collateral, are selling out of takeover stocks so that some - such as Telex, currently being pursued by Mr Asher Edelman - are at a discount of as much a third to their offer price.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Iutec Inc.ϕ(l)	100	1992	5			Nikko Secs (Europe)	
Keio Teito El.R'wayϕ(l)	100	1992	5			Nomura Int.	
Hokkai Can Co.ϕ(l)	80	1992	5			Daiwa Europe	
Matsuyadenki Co.ϕ(l)	30	1992	5			New Japan Secs.	
Wings 2 Ltd.†(d)♦	37.5	1992	5	25bp	100.05	Mitsui Fin. Int.	-
Sprint II Ltd.†(e)♦	35	1992	5	20bp	100.10	Fuji Int. Fin.	-
Barclays Bank Finance♦	200	1989	2	10¼	101⅛	BZW	9.405
EX-IM Bk.of Japan(h)♦	250	1997	10	10⅛	99.45	Goldman Sachs	10.475
Fed.Nat.Mort.Ass.(j)♦	200	1994	7	10.10	100.19	Nikko Secs.	10.315
Kleinwort Benson‡♦	185	1997	10	(m)	(m)	CSFB	-
AUSTRALIAN DOLLARS							
Wings 1 Ltd.◆♦	129	1996	8½	8.6875	100.96	Mitsui Fin.Int.	-
CANADIAN DOLLARS							
DuC Int. Finance(g)♦	50	1989	2	11¼	112⅝	CSFB	4.508
Eurofima(g)♦	75	1990	3	10¾	112.98	DBCM	5.983
SWISS FRANCS							
Continental Health♦	20	1995	-	(7)	(100)	Bqe Gutzwiller K.B.	*
Sandhurst Mining§(a)	20	1994	-	(6)	(100)	Bqe Gutzwiller K.B.	*
Hayes Resources§	60	1992	-	(5⅛)	100	Banque Indosuez	*
Healthvest§♦ ♥	40	1994	-	4½	100	Warburg Soditic	4.551
Southmark Corp.ϕ(b)(l)	50	1992	-			Bqe Paribas(Suisse)	
City of Copenhagen♦	40	1995	-	5¼	100	Kredietbank(Suisse)	5.250
City of Copenhagen♦	40	1997	-	5⅜	100	Kredietbank(Suisse)	5.375
Golden Shield Res.§♦	20	1992	-	5¾	100	Bqe Gutzwiller K.B.	5.750
Kyushu Elec.Power♦	150	1994	-	5⅜	100	SBC	5.375
Prov.of Saskatchewan♦	100	1997	-	5¼	100	Credit Suisse	5.250
Kumon Institute of Ed.**♦	12	1992	-	5⅜	99½	UBS	5.518
Polly Peck Int.Fin.♦	75	1990	-	6¼	100	Warburg Soditic	6.250
Nokia Corp.♦	100	1993	-	(5½)	(100)	Nordfinanz- Bank	*
STERLING							
Avis Inc.§(c)♦	50	2002	15	5¼	100	Kleinwort Benson	5.250
LUXEMBOURG FRANCS							
Alfa-Laval**♦	300	1992	5	7½	100	Skand.Enskilda	7.500
EIB**♦	300	1992	5	7½	100	Kredietbank Int.	7.500
SEK**♦	300	1990	3	7½	100¼	BGL	7.404
LIRE							
EIB♦	100bn	1993	6	12	100	Cariplo	12.000
YEN							
EDF†(f)♦	15bn	1994	7	1/16	100	IBJ Int.	-
Centrust Savings Bank♦	2.7bn	1992	5	6	101⅞	Bqe Paribas/IBJ	5.560
Centrust Savings Bank♦	4bn	1994	7	5⅛	101⅝	Bqe Paribas/IBJ	4.846
Skopbank♦	5bn	1992	5	(k)	100¾	Mitsui Trust Int.	-
BELGIAN FRANCS							
EIB**♦	2bn	1997	10	8⅝	99½	Bqe Indosuez Bel.	8.702

* Not yet priced. ϕWith equity warrants. ‡Floating rate note. **Private placement. ♦Final terms. ◆Currency linked. §Convertible. (a) Double convertible into stock or gold cash equivalent. (b)Exercise into shares of National Heritage. (c)Convertible into share of As is Europe.(d)25bp over 6m Libor. (e)20bp over 6m Libor. (f)1/16 over 6m Libor. (g)With currency warrants. (h)Launched on US domestic (market. (j)Launched in Japan. (k)Coupon; years 1 & 2, 3%, 7.7% remainder.(l)Postponed.(m)Not disclosed.♥Minimum. Note: yields are are calculated on AIBD basis.

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %

Profits and sales setback at Arbed

BY WILLIAM DAWKINS IN BRUSSELS

ARBED, the Luxembourg-based steelmaker, has announced a sharp drop in sales and a LFr1.76bn ($45.2m) net loss for the first half of 1987. The net deficit, the group's first for three years, comes mainly as a result of "very large write-downs" made during a difficult trading period, said Mr Emmanuel Tesch, group president.

Turnover for the first six months was LFr25.1bn, a 21 per cent decline from the same period last year, while operating profits – before debt charges and depreciation – fell from LFr2.5bn to LFr1.8bn.

Cash flow slipped from LFr2.9bn to LFr600m over the same period, while the bottom line swung into loss from the LFr802m net profit recorded in the previous first half. "Despite this set-back to our results by comparison with the same period in the previous year, our financial situation is secure and we have no problems in financing our investments," said Mr Tesch.

Other reasons for the decline included falling world steel demand, the damage inflicted on Arbed's export competitiveness by a weak dollar, and alleged dumping of steel in the EC by low-cost Third World producers.

Mr Tesch also blamed the "damaging uncertainties" created by the European Commission's attempts to liberalise the EC steel market and member states' failure to agree on a co-ordinated plan to cut overcapacity.

These factors led to an average 15 per cent collapse in sale prices, compounded by a 10 per cent decline in deliveries, said Mr Tesch.

INTERNATIONAL CAPITAL MARKETS

US MONEY MARKET RATES (%)	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.05	7.43	7.44	11.34	5.88
Three-month Treasury bills	5.30	6.96	6.50	7.37	5.18
Six-month Treasury bills	6.00	7.60	6.87	7.65	5.23
Three-month prime CDs	7.42	9.00	7.60	8.23	5.67
30-day Commercial Paper	7.00	7.95	7.30	7.70	5.68
90-day Commercial Paper	7.50	8.75	7.40	8.05	5.57

US BOND PRICES AND YIELDS (%)	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	103¾	+5⅞	8.87	10.00	9.35
20-year Treasury	101½	+9⅝	9.21	10.28	9.77
30-year Treasury	97⅝	+10⅛	9.11	10.19	9.68
New 10-year "A Financial	n/a	n/a	10.85	11.18	10.35
New "AA Long utility	n/a	n/a	10.45	11.30	10.75
New "AA Long industrial	n/a	n/a	10.35	11.25	10.65

Source: Salomon Bros (estimates).

Money supply: In the week ended October 12 M1 fell by $3.7bn to $753.7bn

NRI TOKYO BOND INDEX December 1983 = 100	17/9/87	Average yield (%)†	Last week	12 wks ago	26 wks ago
Overall	133.39	5.64	132.05	135.84	140.28
Government Bonds	133.19	5.40	131.28	135.60	142.76
Municipal Bonds	134.59	5.97	133.42	135.27	139.61
Govt.-guaranteed Bonds	135.50	6.01	134.32	136.86	140.48
Bank Debentures	130.51	5.39	129.84	131.28	134.52
Corporate Bonds	133.06	6.34	132.78	134.95	137.25
Yen-denom. Foreign Bonds	135.71	6.94	135.53	138.34	138.44
Government 10-year†	5.97	–	6.39	5.13	4.26

Source: Nomura Research Institute † Estimated par yield

US MONEY AND CREDIT

Flight to quality drives down rates

WHILE stocks crashed last week, bonds boomed in the most spectacular credit market *rally* anyone could remember. By the end of the week Wall Street was still struggling to work out the economic, policy and psychological implications.

The stunning turn of events in financial markets began with Monday's historic collapse of stock prices. Fears of higher inflation, a weaker dollar and central bank tightening were but intellectual fig leaves with which investors covered their naked panic.

A flight to credit markets and to quality drove down interest rates on short-term government securities by as much as 160 to 175 basis points to around 5.30 per cent. As fear spread that the equity rout would trigger a recession, investors piled into longer dated bonds.

The 30-year Treasury bond's yield plummeted from a peak of 10⅝ per cent on Monday morning to under 9 per cent on Friday morning. Government bond prices rocketed more than 10 points, or 11 per cent in the week, *mostly in the first few* days.

Bond dealers began the week with very large inventories because retail investors had deserted the market through its long *slide* from *mid-August* when the long bond had yielded 8¾ per cent.

Suddenly last week it was a feeding frenzy as investors snapped up anything they could. Dealers sold securities they did not have, forcing them to bid aggressively in the market place. But soaring prices only heightened investor demand. The Federal Reserve helped ease the pressure by temporarily removing its restrictions on dealer borrowings from its $200bn plus portfolios of government securities.

In fact, the laurels for the week go to the Fed without whom equities might have fallen through the floor and bonds might not have rocketed through the roof. Barely a month after it raised its dis*count rate, it stepped into the* breach of the battered stock markets and declared on Tuesday it was ready "to serve as a source of liquidity to support the economic and financial sys*tem." The terse, one-sentence* policy pirouette by the Fed worked wonders as the central bank opened the sluice gates and flooded the markets with liquidity. So concerned was the *Fed that the world understood* what it was doing it even broke its steadfast rule of refusing to comment on perculiar movements of key interest rates.

It went into elaborate length about why the Fed Funds rateat which banks lend reserves to each other had soared to 15 per cent on Wednesday evening for reasons totally beyond its control.

The aberr*ation* in the rate was an ominous sign, though, that the market earthquake had done more harm to financial institutions than a few surface cracks. Deep structural damage *could well come to light in coming weeks.*

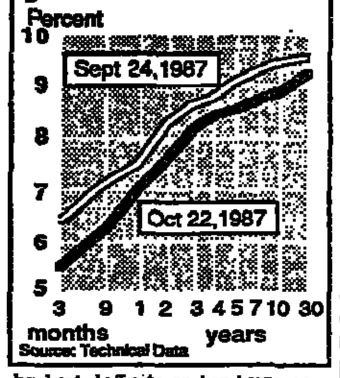
Thus, economists were extremely reluctant to measure the repercussions. "Quantifying the economic outlook is no *more than an exercise in futility,"* said Griggs and Santow, money market economists.

But a general consensus emerged that, as Salomon Brothers phrased it: "Growth will be weaker, inflation will be lower and interest rates will decline further. The magnitude of these shifts will hinge critically on the degree of financial dislocation that has already resulted from the plunge in stock prices, how quickly and at what level the market regains stability and the magnitude and speed of the monetary and fiscal policy responses." Somewhere around $1000bn has been wiped off the value of equities since their August peak. No one knows what the direct impact will be on consumer spending but Americans are a good deal gloomier than they were eight days ago. Their sharp cut in plans to consume or invest will certainly slow the rate of economic growth in the fourth quarter of this year and the first of next from the 3.8 per cent annual rate achieved between July and September.

Slower growth should mean fewer imports but if weaker demand is a global phenomenon then US exports will suffer as well. The net effect on the US trade deficit could be minimal. But on the bright side, inflation and more importantly the excessive fears of inflation will ease substantially.

Also the calamity of the markets was great enough to shake President Ronald Reagan loose from one of his most obstin*ately* held positions. He reluctantly and vaguely said he would discuss tax increases with Congress. Economic downturns tend to pump up government budget deficits so his huge concession, if it is ever realised, will help whittle down the deficit.

US Treasury yields



Source: Technical Data

Although a consensus is forming that bond prices will fall a little further to take, for example, the long bond yield to around 8 1/2 per cent, analysts warn that trading will be very choppy and rates might rise a fraction in the meantime.

The Fed, which is in a "crisis management mode," one of its officials said *last* week, *will* continue under intense scrutiny. Members of its policy-making open markets committee will probably have a fraught meeting when they gather in eight days time on November 3.

Their trickiest task internationally will be to maintain confidence and value in the dollar.

Last Friday

Economic statistic releases are relatively light this week and of dubious value as indicators of future prospects given the massive dislocation the economy suffered last week.

Today, September's growth in personal *income* should be about 0.2 per cent, down slightly from earlier months. Consumption is likely to show no growth from August.

Tomorrow, September's durable goods orders are *forecast* to have risen as much as 1 per cent from August which was down 3.1 per cent from July.

Friday brings September's index of leading economic indica*tors. A small drop of around* 0.2 per cent from August is expected.

Roderick Oram

UK GILTS

Crash signals switch to fixed-interest

LAST WEEK broke, in the most dramatic fashion, the pro-equity, anti-fixed interest psychology which has been fed by the *bull market in shares over the* past few years.

The quick, startling and sustained returns to be had in global equity markets made bonds seem a very poor investment, indeed. *It was only in December* that one prominent securities house issued a cogently-argued report entitled, "Equity risk premium (or Why hold gilts at all)."

That report argued that, even on a risk-adjusted basis, equities had been a much better investment than gilts over the last 10 years. True, but last week's unprecedented collapse in *share prices defied any normal* risk-adjustment techniques.

There seems little doubt that institutional portfolios, for years chronically underweight in bonds, will now see a fundamental shift. The extraordinary fall in yields on world bond markets last week was the first evidence of substantial funds shifting out of equities into fixed interest stocks. However international monetary policy develops in response to the crisis on stock markets, it will take a very long time for investor confidence in equities to rebuild.

Bond markets worldwide had already seriously retrenched earlier this year in response to fears of an upturn in inflation and concomitant concern about higher interest rates.

Last week changed all that. The dramatic fall in yields on the US Treasury bond market and the gilt-edged market may reflect the panicky conditions and therefore not be quite sustainable. It is clear, however, that whatever the subtlety of arguments about the wealth effect (how large is it and how much more important is it for the US than for Britain), the emerging upward trend in world interest rates has been reversed.

Weaker world economic growth, lower inflation and the flight to quality should ensure a period of falling yields.

How far they should fall is less than clear. It will take some time to restore a sense of fair value into any financial market, including the UK government bond market. A number of fascinating figures of domestic relevance were *almost completely* ignored last week amid the furore on equity markets. On Tuesday, bank lending was shown to have surged by £4.4bn last month. On Friday, figures were released showing a contraction in the current account deficit to £55m in September from *August's £929m shortfall* and base lending rates were cut by half a percentage point.

In the comparatively normal circumstances which prevailed before last week, the bank lending figure would have justified extreme caution in lowering interest rates. The trade number would have prompted some to argue that overheating fears earlier this year had been overdone and some to argue that September's trade performance was as erratically good as August's was erratically bad.

The official line on Friday was that the slashing of the capitalisation of the equity market represented a tightening of monetary conditions and that the trade figures allayed fears of overheating - thus base rates were cut.

On bank lending, it seems likely that people will no longer be willing to borrow on the strength of rising asset prices and corporate borrowing to finance acquisitions and merger activity will be severely curtailed.

This could show through in published bank lending data early next year and allow a further cut in base rates later this year or early in 1988.

What will be crucial for the performance of gilts will be its perceived value against other non-dollar bond markets. Mr Robert Thomas and Mr Kevin Boakes of Greenwell Montagu note in their latest gilts report today that, up to 10 days ago, one cloud on the horizon for gilts was their recent outperformance compared with other non-dollar bond markets.

"Last week, however, there was some correction as yields fell proportionately faster in Germany and Japan than in the UK," they said. Their assessment of prospects for non-dollar bond markets is highly positive.

On top of this, with the public sector borrowing requirement certain to undershoot its target, any remaining funding should meet healthy demand. The same can not be said for government funding in the equity market. As one seasoned commentator said of the forthcoming BP issue: "Eddie George would nev*er have tried to sell £7bn of gilts* in one go."

Janet Bush

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN Bank 8½ 91	150	98	+2¼	9.17
Aetna Life & Cas 7¾ 16	200	91⅛	+4¼	8.56
AHFC O/S Fin 11¾ 94	100	98½	0	12.87
AIDC 11 89	75	101⅛	+8⅝	9.98
Alberta 7⅞ 91	750	93¾	[illegible]	9.26
[illegible]				
Procter & Gam 10 95	150	101⅛	+5½	9.77

	Issued	Bid price	Chg on week	Yield
Pru Rlty Secs 0 99	365	32¾	+2¾	10.46
Qantas Airways 8⅝ 96	97	91½	+6	10.16
Quebec Prov 13 90	150	107	+1⅝	10.19
Queensld Gvt 11½ 89	100	104	+2	9.24
Ralston Purina 11¼ 95	150	104	+2½	10.91
Reynolds R. J. 10¼ 93	100	102⅛	+4⅜	9.76
[illegible]				

FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn

[illegible]					

CONVERTIBLE BONDS | Conv. date | Conv. price | Bid | Offer | Chg. day | Prem

Mitsubishi Bk 1¾ 02			300	85	−15¼	−14.17
[illegible]						

	Issued	Bid price	Chg on week	Yield
Newmont Mining 7 02	100	113⅞	−10⅛	20.49
Nippon Seiko 3¼ 99	70	142¼	−56⅝	−14.79
Rockefeller Centre 0 00	952	26⅞	+1¾	−64.44
Southwest Air 6⅞ 98	35	79⅞	−4⅞	114.75
Swiss Bank Corpn 6¼ 90	120	132	−23	−2.68
Texaco Capital 11¼ 94	500	98⅝	−7¼	54.10
Toshiba Ceramics 3 00	50	154½	−4½	5.35
Xerox Corpn 5 88	75	94⅞	−1¼	152.32

YEN STRAIGHTS | Issued | Bid price | Chg on week | Yield

[illegible]				

LUXFR STRAIGHTS | GUILDER STRAIGHTS | CANADIAN DOLLAR STRAIGHTS | ECU STRAIGHTS | AUSTRALIAN DOLLAR STRAIGHTS | STERLING STRAIGHTS | EQUITY WARRANTS | BOND WARRANTS

[illegible]				

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on October 23.

UK COMPANY NEWS

Matthew Brown rushes forecast to foil S&N

BY CLAY HARRIS

Matthew Brown, the Blackburn-based brewer, last night predicted a 13.5 per cent rise in pre-tax profits to £10.9m in the year to next September. The forecast, audited by accountants Arthur Young, was released in an effort to prevent Scottish & Newcastle Breweries from securing victory today, the first closing date for its £186m takeover bid.

Matthew Brown also said that based on management accounts to the end of August, pre-tax profits for the year just ended would reach £9.6m, a 5.3 per cent decline on the £10.1m reportedin 1985-86. Earnings per share have risen to 28.5p (27.36p).

It forecast total net dividends of 18p in 1987-88, compared with the 15.5p planned for 1986-87.

The forecast was rushed out because of fears that S&N's alternative offer of 750p in cash - which will be closed today if the Scottish brewer receives sufficient acceptances to declare the bid unconditional - might prove irresistible in the wake of last week's collapse in world share prices.

The cash offer compares with Matthew Brown's closing price of 729p on Friday and the 645p value of S&N's three-for-one share offer.

Matthew Brown and its adviser, Schroders, failed late on Friday to convince the Takeover Panel to force S&N to leave the cash terms on the table for at least two weeks after the bid goes unconditional.

The panel is believed to have indicated that it saw no reason to make an exception to the rule that an underwritten cash bid can be closed immediately.

Mr Peter Cadbury of Morgan Grenfell, advising S&N, described the plan to issue an 11th hour forecast as "a strange and desperate-sounding move" of questionable credibility. Nevertheless, he said, it meant that shareholders would have all the facts in time to decide on the cash offer.

The Campaign for Real Ale, meanwhile, repeated its support for Matthew Brown's continued independence.

Dexion Comino plans SE comeback

BY RICHARD TOMKINS

Dexion-Comino International, an unquoted company claiming to be Europe's leading supplier of storage and handling systems, plans to return to the London stock market early next year at a market capitalisation likely to exceed £100m.

The flotation is expected to be through an offer for sale on the main market sponsored by J. Henry Schroder Wagg, the merchant bank. A stockbroker has not yet been appointed.

Dexion is based in Hemel Hempstead, Hertfordshire. It supplies materials handling systems throughout the UK and Europe, and has annual sales of about £110m. Its nearest competitor is the quoted materials handling group Wagon Industrial.

The issue will mark Dexion's return to the stock market after an absence of 12 years. The company surrendered its independence to Interlake of the US in 1974 after running into financial difficulties.

Interlake is a multi-national producer of engineered materials including aerospace components and materials handling systems. At present it owns the whole of Dexion's equity, but it proposes to sell off 25 per cent in February next year.

Mr Stephen Hinchcliff, Dexion's chairman, said his company had now been restored to financial health and Interlake considered that its prosperity would grow at an enhanced rate of it was spun off. However, Interlake had no plans to sell more than 25 per cent of its shares.

Mr Hinchcliff acknowledged that market conditions did not look favourable to new issue activity. "But we do not expect the present traumas in the equity markets to last into next year, and if they did, we could easily postpone the flotation."

Second half recovery at Bridport

Bridport-Gundry, maker of netting and twisted and woven products, staged a recovery in the second half to produce a pre-tax profit of £2.24m for the year ended July 31 1987, compared with £2.84m.

First half profit fell to £442,000 (£924,000). The results were achieved in the face of delay in placing defence orders on both sides of the Atlantic. By building up other activities the group was able to replace a shortfall of nearly £5m in defence turnover with other work, albeit at lower margins.

Turnover in the year came to £37.9m (£37.6m) and gross profit to £9.57m (£9.21m). Earnings worked through at 13.47p (19.13p) and the final dividend is 5.1p for a total of 7p (6.25p). There was an extraordinary debit of £343,000.

HEYWOOD WILLIAMS purchased Richmond Glass for 200,000 shares and £700,000 cash. Richmond makes framed mirrors; for 1987 profits are expected to be £190,000.

TI sells machine-tool interests in £6.5m deal

BY CLAY HARRIS

TI Group, the engineering company, will today sell its remaining machine-tool interests for £6.5m to TMG Engineering, a newly formed UK company in which management has an equity stake of up to 20 per cent.

The disposal will include Newcast Foundries, based in Newcastle-under-Lyme, Matrix-Churchill Corporation in the US, and Coventry-based TI Machine Tools. The third will be renamed Matrix-Churchill.

The order book for the three divisions stands at present at a record £40m. TMG will pay TI an initial £4m in cash with the balance deferred for six months.

Mr Paul Henderson, former TI Machine Tools sales director, will become managing director of TMG. The buy-out is backed by a consortium of European banks, including one from the UK.

Last month, TI sold Rockwell Machione Tools and Bennett Tools for £1.25m to Hartle International, a private company based in Manchester.

Nevi sells its stake in Baltic

Nevi, the Norwegian group, has sold its 18.2 per cent holding (6.46m shares) in Baltic, the asset finance and property group and Mr Hans Petter Aas and Mr Goodmund Ronningen have resigned as directors of the company.

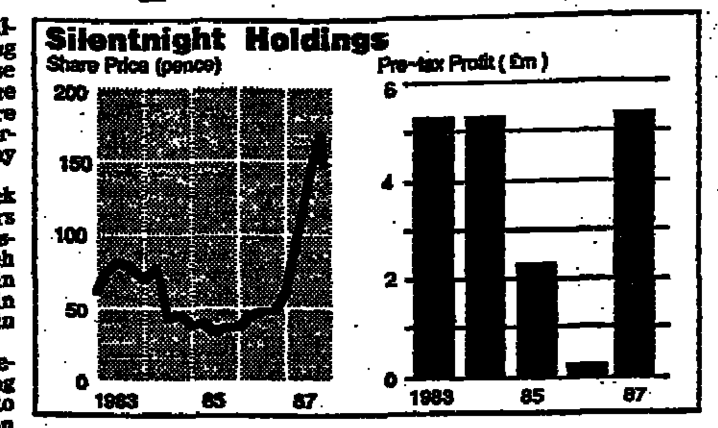
The same number of shares were acquired by Banque Paribas Capital Markets which placed 3.4m with institutional investors and now holds about 8.6 per cent (3.06m shares).

TECHNITRON has acquired a group of companies, including Alternative Printer Sales, active in the distribution of computer peripheral products and based in Dublin. Annual sales approach £1m.

Ian Hamilton Fazey looks at Silentnight's successful comeback

Beds that provide peace of mind

IF the senior managers of Silentnight Holdings are sleeping easier in their beds these nights, it is not just because the mattresses they are lying on are the latest high tech models currently gaining the company market share over their rivals.



Silentnight is on the way back with a vengeance. Two years ago it was suffering from disastrous labour troubles in which it sacked 346 strikers at its main bed manufacturing factory in Barnoldswick, near Colne, in the Lancashire Pennines.

Profits fell to a confidence-shaking £270,000, compounding a dive the previous year to £2.2m, caused by a squeeze on margins. Since the company had been on a three-year plateau of £5m-plus, Silentnight was clearly in trouble.

Yet last week's half-year figure of £3.3m was the best interim pre-tax profit Silentnight has ever reported. It came on top of last year's 12-month figure of nearly £5.3m on turnover of £86.5m. Mr Tom Clarke, the chairman, said that the current full year will be substantially ahead of that.

Henry Cooke, Lumsden, the company's Manchester-based brokers, says in its latest review of North-west regional companies that Silentnight should now be viewed as a growth stock. The interim figures were well ahead of HCL's £2.75m to £3m forecast.

Between mid 1984 and the end of 1986 the price of its shares bumped along the bottom in the 28p to 50p price range. This year's peak was 179p and even after last week's market plunges, it still closed on Friday at 148p.

Mr Tom Clarke, who is also the founder of the group, ascribes the recovery to four things - new and better management, £5m a year of capital investment, improved products and marketing, and the learning of some very sharp lessons from the strike.

He says: "We were non-union up to 1979. The strike created a picture of authoritarian management, but we're not like that. We were not blameless. We had lost touch with our workforce. We learned a very bitter lesson about staying close to the people who work for you.

"I learned it in the Royal Navy in the war. As soon as we passed the Liverpool bar the captain always came on the Tannoy and told us everything. It made all the difference to the way we behaved and fought. It is a basic principle of management. People here forgot."

An internal inquiry by the board into what had gone wrong in the company revealed that the management cadre had isolated itself from day-to-day contact with the shopfloor and its mood. Supervisors and workers complained of 'not seeing the bosses' and not knowing what was going on. Mr Clarke says the situation was exploitable by 'extremists,' and was.

Mr Clarke, who had been disengaged from close executive management since 1978 and had already tried to retire, was appalled. Changes ensued, with Mr Arthur Beattie, an old hand, acting as a managerial sheet anchor and restoring stability and contact to labour relations.

A new chief executive was recruited: Mr Chris Burnett, aged 46, a Harvard Business School masters graduate with five years' experience of McKinseys, who had been running a division of Whitecroft, the textiles group, in Wilmslow.

The bed making company went back to being a non-union shop paying well above union rates. This was despite a union campaign to get retailers and consumers to black Silentnight products, which ultimately foundered when the Co-op, after an inquiry into both side's claims, refused to join in.

Mr Clarke says he is not anti-union and cites the continued unionisation of subsidiaries in the 3,000-employee group making other types of furniture.

However, management style does not rely on unions to keep people in the know. All managers have had to learn to take the time to communicate properly and directly with the workforce, using formal methods such as publications and briefing groups, and informal means like chats during factory walkabouts.

Mr Clarke, now 68, thinks things are in safe enough hands to retire for good. The core of the group, the bed making factory, employs 900 now 100 up on pre-strike days. He will go on November 2, the 42nd anniversary of his founding the company with his wife Joan, a mattress maker.

They used his wartime gratuity of £170 to get going as a two-person business. The name came in Christmas week of 1949 when trade was slack and they and their nine employees used some idle time in a brainstorming session to think of it.

Silentnight now claims between 25 and 30 per cent of the British bed market. Nearest competitors are in the 10-12 per cent range. In other furniture markets the group is in the pack with 8-10 per cent.

However, beds are where the group has its reputation and that is where Mr Burnett is concentrating much effort.

He says: "We are re-establishing very strong links with customers. I personally spend lot of time with them, as Tom did in the old days.

"In the factories, output per employee is up 38 per cent over five years. At the same time we are trying to produce higher added value and improved quality, which are in turn leading to better prices."

He believes that staying market leader means staying ahead technologically. The company owns the UK rights - beds are not exportable — to the Miracoil spring system from Leggitt and Platt of the US, which it incorporates in its flagship 'Sleeper' range.

This braces the springs from head to foot of the mattress, preventing 'roll together' of disparately weighted partners. Silentnight has developed the system further by designing a complementary divan spring system which it has licensed back to the US.

A £2m television advertising campaign devised by the Manchester agency Bowden, Duble and Hays, which features a pyjama-clad hippopotamus sleeping alongside a newly-hatched duckling, has made the technological point in the marketplace without jargon or claims that 'our springs are better than their springs,' which research showed turned customers off.

The Sleeper range has significantly increased the company's share of the top end of the bed market and now represents half of Silentnight's bed sales revenues. Mr Burnett's 'higher added value' goal is reflected in the range being less than half the company's bed production.

He says: "Design is the key - design and quality. We are registered under the particularly demanding BS5750 quality assurance standard and led the industry here too. Growth can only come from design and good products."

Refined industrial marketing to sales outlets also has something to do with it. Silentnight has its own 35,000 sq ft exhibition centre near Colne where it stages five packed trade shows a year, each running Sunday to Sunday, the peak days when 700 lunches are served.

The five shows cost only as much as one stand at the annual Earls Court furniture exhibition, now abandoned by Silentnight as a marketing tool. Out of them has grown a marketing services subsidiary to help design, layout and merchandising in the stores.

Mr Burnett and his colleagues may be resting easily at night, but they are certainly not resting on their laurels.

Mellerware midway loss

Mellerware International, kitchen appliance manufacturer, incurred a pre-tax loss of £394,000 in the six months to June 27 compared with £220,000 profits in the six months to June 30 last year. Turnover rose from £5.44m to £7.23m.

After no tax (£16,000), losses per 10p share were 6.9p compared with earnings of 3.6p last time.

At the end of May, Howmac, a company established by Mr Sandy Saunders, acquired a 29.9 per cent stake in the company and Mr Saunders became chairman of Mellerware. The transaction formed part of of a refinancing package being assembled for Mellerware by Singer & Friedlander, merchant bank.

The company issued £3.1m of convertible secured participating redeemable loan stock with a two-year maturity. Mr Saunders said that it was his aim to expand Mellerware and turn it into a substantial industrial group with interests in metals and plastics.

He said Mellerware intended to relocate all assmebly activities of the Sona appliance and teaware products to the company's Aldridge and Perry Bar factories. He announced a further 60 redundancies, the closure of the anodising plant, and demolition of assembly and warehouse buildings at Stratford.

S&W Berisford

S&W Berisford, the diversified sugar producer facing a hostile takeover bid from Associated British Foods, said yesterday that it had made a $10m (£6m) profits on a transaction involving 15 office properties in Manhattan.

Berisford's property trading arm was involved in the financing of the purchase and simultaneous break-up of a portfolio of 15 office buildings. It has retained a 50 per cent interest in five of the properties, totalling about 1m sq ft.

E Upton losses fall

Reduced losses of £171,991 were reported by E Upton and Sons, department store operator, for the 28 weeks to August 11 against £231,284 in the 28 weeks ended August 12 1986.

Included in the result is a £92,240 (£79,867) pre-tax loss from its photographic subsidiary Mckenna and Brown, which contributed £1.57m (£922,165) to group turnover of £3.64m (£3.01m).

FT Share Service

The following security has been added to the Share Information Service:

Dolphin Packaging (section:Industrials).

FINANCIAL TIMES STOCK INDICES

	Oct. 23	Oct. 22	Oct. 21	Oct. 20	Oct. 19	Oct. 15	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.50	86.06	85.47	85.21	83.73	84.90	93.32	84.49	127.4	49.18
Fixed Interest	91.96	91.90	91.75	91.11	91.05	91.50	99.12	90.23	150.4	50.53
Ordinary	1396.8	1435.3	1527.3	1439.2	1629.2	1812.9	1926.1	1320.2	1926.2	49.4
Gold Mines	386.4	399.0	396.8	427.6	444.2	463.3	497.5	288.2	734.7	43.5
FT-Act All Share	930.33	953.46	1007.47	951.95	1072.40	1189.92	1238.57	835.48	1238.57	61.92
FT-SE 100	1795.2	1833.2	1943.8	1801.6	1052.3	2301.9	2443.4	1674.5	2443.4	986.9

BUILDING CONTRACTS

South Bank luxury appartment block

An artist's impression of the central courtyard, with a bronze statue of a brewery dray horse by Shirley Pace

Jacobs Island Company has awarded a £25m construction management contract to **TROLLOPE & COLLS MANAGEMENT** (a Trafalgar House company) and joint venture partner **LEHRER MCGOVERN INTERNATIONAL** for a residential development in the Butlers Wharf conservation area on the south bank of the River Thames near Tower Bridge.

Focal point of the luxury apartments, some of which are in seven-storey towers, will be a circular courtyard faced in nautic blue brick. The overall design complements the character of the surrounding Victorian wharf buildings.

The development includes a restaurant, speciality shops, and a health club with indoor swimming pool. Each apartment has a balcony, with some overlooking landscaped courtyards.

Called The Circle, work on the project is due to start early next year. The site, in Queen Elizabeth Street, London SE1, was owned by the Courage Brewery. The old workshops and other buildings have now been demolished. The first phase of the work involves extensive deep piling and ground engineering, necessary not only to support the building's superstructure but also for the two-level basement car park. Completion is scheduled for the autumn of 1989.

A mock-up of a typical executive apartment is on view to the public at The Circle Sales Pavilion, Queen Elizabeth Street, Tower Bridge, London SE1.

£15m office project in Glasgow

Glasgow Council gave planning permission last month for a 100,000 sq ft office development in Waterloo Street, Glasgow. The £15m project, which is being developed by **RUSH & TOMPKINS GROUP** and **LAWFIELD ESTATES**, involves the construction of offices with atrium and wallclimber lifts behind the three Listed classic buff sandstone facades. The 1906 building was originally designed as a static circus, but was never used as such, being altered during the course of construction to become a post office, sorting office and counter unit. Start date for the 18-month construction programme is early in the New Year.

*

MYTON has been awarded a £3.5m construction and refurbishment contract at Elm House, London, an office block previously occupied by Thomson International Publishing, on behalf of the new Swedish owners Citadellet through Central London Securities. Myton, a construction and specialist company in the Taylor Woodrow Group, will undertake the fast-track project in only 30 working weeks, with completion due in May,1988. Externally the building will take on a fresh appearance with the use of a new specialist enamel finished metal cladding, the replacement of existing windows with double glazed units, and at ground level, the reconstruction of the existing entrance facade. Internally the building is being completely stripped out and refurbished. The work will include replacement of all existing services in particular the provision of full air conditioning, new toilets, raised access deck flooring and finishes throughout.

*

FIELD DAVIS has been awarded a contract, worth in the region of £950,000, for conversion and new build at Shacklewell Lane, London E8. The contract includes construction of a terrace of four houses, all fronting onto a landscaped patio area which forms the central feature of the development. The client is County and Provincial Properties.

*

TAYLOR WOODROW CONSTRUCTION has been awarded a contract, worth £870,000, by Lothian Health Board for alterations and remedial works at the Royal Infirmary, Lauriston Place, Edinburgh. The work, for completion in January, involves upgrading three wards including mechanical and electrical installations.

£26m motorway extension

BALFOUR BEATTY CONSTRUCTION has successfully tendered for part of the M40 London-Oxford-Birmingham motorway. The work, worth £26.58m, from the Department of Transport, is situated south east of Birmingham, extending from the existing M42 to Shrewley Common, north east of Warwick.

The contract comprises the construction of 10.5km of dual three-lane motorway, 2km of link roads to the existing M42 and an interchange with the A34. This will involve the excavation of some 1.8m cu metres of material, 900,000 cu metres of fill and some 500,000 cu metres of imported fill. Included is the construction of nine bridges, two underpasses, two culverts, a canal bridge and a combined side road and railway overbridge, together with nine sign gantries. Completion is scheduled for September 1989.

Balfour Beatty Building has been awarded a contract to design and build an extension to the Nacanco factory in Runcorn, Cheshire. The project, worth £892,000, comprises a structural steel frame, profiled metal vertical cladding to walls, metal deck roof with a felt finish, reinforced concrete ground floor slab with extensive machine bases, electrical and mechanical installations, drainage and external work. The company has also received a contract valued at £156,000 from AMC Exhibitions (UK) for enabling works to a proposed multiscreen cinema in Telford, Shropshire. The project comprises excavation, ground stabilisation, a retaining wall and drainage.

Metal Box headquarters

HUNTING GATE has won contracts worth more than £17m. Among the awards is a £3m project to design and manage the new headquarters complex for Metal Box on a prominent Thameside site in Reading. A fully air-conditioned office building of 33,000 sq ft is being erected and among the facilities to be included are raised access floors, underground car parking and the creation of a riverside garden. A 12-month construction programme has been set and work has begun on site.

The company has also been appointed to design and build a £3.4m project for Slough Estates - a development on the Slough Trading Estate. The 88,000 sq ft building which Hunting Gate is constructing incorporates a two-storey office block and a single-storey production unit. The scheme has already been pre-let to Crane Packing who will be expanding its Slough operations and using it as its headquarters.

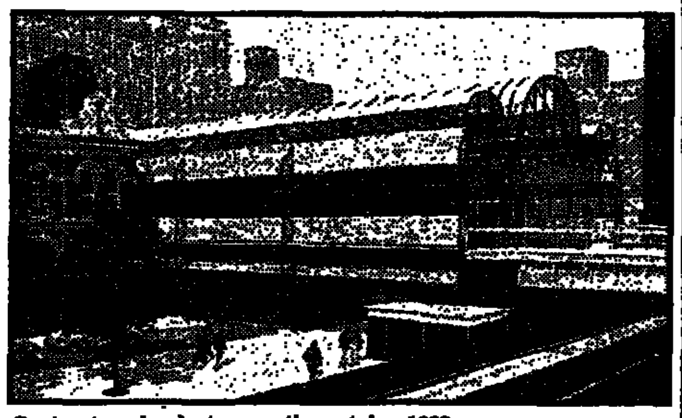
Hunting Gate has also been chosen to construct a £5.1m 54,000 sq ft air-conditioned office complex consisting of two three-storey buildings in Borehamwood. It is a joint development between Hunting Gate Developments and Allied Dunbar Property Fund. A tight construction deadline has been set and the building is scheduled for completion by September 1988.

In Dunstable the company has been appointed by Retail Parks to construct two units totalling 60,000 sq ft worth £1m. One unit has been pre-let to Texas Homecare, while the other is a speculative development. Other retail contracts include a £5.9m development currently under construction for Sibec Developments at Borehamwood consisting of 183,000 sq ft of retail units on a 13 acre site.

Refurbishing work for Mansell

R.MANSELL, Croydon, has won contracts totalling £9m for refurbishment, repair, maintenance and minor work. The largest is a £1.7m conversion of six blocks of maisonettes at the Delce estate, Rochester, into 56 three-storey houses, plus building two additional houses. The top two storeys of each block are being removed and replaced with a pitched roof. The work is for Rochester-upon-Medway City Council. A £1m refurbishment of a four-storey terraced house at 17 Albemarle Street, London W1, is for Peel Holdings.

New Portsmouth station



Contracts valued at more than £7m have been won by **GEOFFREY OSBORNE**. Osborne is undertaking a £1.5m rebuilding scheme at Portsmouth and Southsea High Level Station for British Rail Southern Network. The 32-week contact involves the demolition and reconstruction of the station canopy and platform. The new canopy has a Victorian flavour with its distinctive roof formed by three barrel vaults. The centre vault is clear plastic glazing on a lattice portal frame which will create a light and spacious effect in the station below. The whole platform area will be renewed and modern waiting room provided.

At Godalming, Surrey, work has started on the £1.5m construction of the Godalming inner relief road for Surrey County Council. The new road will pass through the existing town centre and will involve complicated traffic diversions to ensure access to all properties. Completion is scheduled for October 1988.

A £1.95m contract for roadworks and sub-structures at Eastleigh Shopping Centre, Hampshire, has been awarded by management contractor Kyle Stewart. The 78-week project involves 4,000 sq metres of car parking and roadworks, with 18,000 sq metres of sub-structures comprising pad foundations, gound beams and floor slabs.

Another management contract awarded to Osborne's civil engineering division is a £2m structural package for the Wimbledon Bridge project being undertaken by Wimpey Management. The 42-week contract is scheduled to start in November when Osborne will construct the foundations, basement and all floors for a six-storey steel-framed office block positioned south of the railway lines. Adjacent to the office block, Osborne will construct a two-storey retail block and car park over and above the railway lines.

British consultants win three international bridge projects

Consulting engineers **RENDEL PALMER & TRITTON**, a High-Point Rendel company, has been awarded a number of contracts worth £7m for international bridge projects.

In Bombay, India, Rendel will advise on a second road crossing at Thane Creek, following concern over local design and construction deficiences, and will also check on the repair procedures of the existing structure. Rendel will examine the design and oversee the construction of the £16m bridge which will be 1835 metres long, with three lanes in either direction.

Rendel has also been appointed to prepare a rapid scheme design and prepare pricing documents for the construction of a £150m road crossing across the Gulf of Corinth in Greece. The bridge will provide a west coast link between mainland Greece and the Peloponnese peninsula, currently joined only at Corinth. The structure will need to cope with the region's frequent earthquakes as relative movements of up to two metres could occur across the 2.3 km wide strait.

The company also has a $6.25m (£3.8m) consultancy contract for Phase II of the Jamuna bridge project in Bangladesh, India, where Rendel is working as lead consultant with Nedeco of the Netherlands. The bridge will cross one of the world's largest rivers and will be about 6 km long. The Phase II study includes full economic assessment, tender design and building documents for the main river bridge, bridge approaches and river training works.

Finally, Rendel Palmer & Tritton has been awarded a supervisory contract by the Turkish Government for the construction of the $188m (£113.2m) Gumsova-Gerede motorway. Rendel will work in conjunction with Turkish consultants Yuksel Proje.

Rentals

What's in a name?...

CHESTERTONS
PRUDENTIAL

Since 1805 when Chestertons' residential business was established in Kensington, the company has been one of London's leading Estate Agents handling properties in the most exclusive residential areas. With our planned expansion over the past two years to over 30 offices we have always been known for:

PROFESSIONALISM
HIGH LEVEL OF SERVICE
DETAILED LOCAL KNOWLEDGE
CREATIVE MARKETING
INNOVATIVE COMPUTER SYSTEMS
CARING APPROACH
VALUATION ADVICE
DEVELOPMENT APPRAISALS
RESIDENTIAL SALES EXPERTISE
EXTENSIVE RESIDENTIAL LETTINGS OPERATION
RESIDENTIAL PROPERTY MANAGEMENT
ADVICE ON INTERIOR DESIGN
INTERNATIONAL RESORT SALES
PROPERTY CONSULTANCY

Leaders in our Market

Hyde Park Office 01-262 5060
BEAUMONT STREET, W1 £195pw
Bright cheerful 2 bedroomed flat, conveniently situated close to shops and public transport. Excellent rental. Long let to company.

Kensington Office 01-937 7244
VICARAGE GATE, W8 £250pw
Well designed flat in attractive period building. 2 bedrooms, 1 bathroom, reception, kitchen.

Mayfair Office 01-629 4513
EATON PLACE, BELGRAVIA, SW1 £475pw
Excellent newly furnished and freshly decorated 2 bedroomed flat of a high standard.

Highgate Office 01-341 9091
SOUTHWOOD AVE, N6 £300pw
Uniquely refurbished ground floor flat in det house with superb conservatory leading onto large landscaped garden. 2 bedrooms, recep, ff kitchen, lux bathroom, very close to Northern line tube.

Little Venice Office 01-286 4632
THE SUTHERLANDS, W9 £180pw
Superb studio in luxury conversion. Very spacious, beamed ceilings. Excellent value.

Wimbledon Village Office 01-879 7922
PUTNEY, SW15 £425–£500pw
2 properties available in this prestigious level on the heath, excellent entertaining rooms, patio, garage and security gates.

Battersea Office 01-924 3344
BATTERSEA, SW11 £95pw
A studio flat on Prince of Wales Drive, overlooking Battersea Park.

Docklands Office 01-538 4921
BARBICAN, EC2 £400pw
Spacious and light 3/4 bedroomed flat on 9th floor of Tower block with good quality furniture, lovely south facing views and excellent security.

Harrow Office 01-427 9767
HARROW-ON-THE-HILL £200pw
3 bedroomed cottage. Open plan reception and kitchen, bathroom, garden, playing fields close by.

Hammersmith Office 01-741 2102
We have an extensive portfolio of good quality houses to let in the HAMMERSMITH/CHISWICK/SHEPHERDS BUSH AND ACTON AREAS. Please phone/contact this office with your individual requirements.

Chelsea Office 01-589 5211
CRESSWELL PLACE, SW3
Two charming mews houses with grge. Phone now.

Fulham Office 01-731 3111
LANDRIDGE ROAD, SW6 £400pw neg
Elegant antique furniture, good quality curtains are major feature of this family home. 5 beds, 2 baths, 2 receps, modern hi-tech kitchen with all machines. Secluded well stocked garden. Co let.

Hampstead Office 01-794 1125
HAMPSTEAD VILLAGE, NW3 £600pw
Listed Georgian house, moments from tube. 2 bedrooms, splendid reception, modern kitchen, 2 bathrooms. Long let to company.

Pimlico Office 01-834 9998
VINCENT SQ, WESTMINSTER, SW1 £225pw
Charming large and spacious 1 bedroomed flat with 2 reception rooms, ideal for entertaining. 2nd floor overlooking gardens.

Knightsbridge Office 01-589 2133
OVINGTON SQUARE, SW3 £750pw
Wonderful 3 bedroomed maisonette with huge reception, conservatory and private gardens.

Notting Hill Office 01-221 3500
QUEENSDALE PLACE, W11 £415pw
Well furnished family house with 2 receps, kitchen, family room, 3 bedrooms, bath, shower room, cloakroom, patio garden.

It's all in the New Name

Since joining the Prudential Property Services national network – the largest Estate Agents in Europe – Chestertons Prudential has even more to offer.

As of 28th September 1987 our name has changed but our services remain and we now have even more to offer including ...

CHAINBREAKING
FINANCIAL SERVICES
MORTGAGE ADVICE*
THE WIDEST RANGE OF PROPERTIES IN THE UK
MORE BUYERS
OVER 550 BRANCHES THROUGHOUT BRITAIN AND GROWING FAST
PART OF THE PRUDENTIAL CORPORATION TOGETHER WITH ITS WORLDWIDE REPUTATION

Even more in our new Name!

PRUDENTIAL
Property Services

Trust us to get it right

GILLANDS

SPECIALISTS IN RESIDENTIAL LETTINGS TO CORPORATE TENANTS

HAMPSTEAD NW3
Delightful mews house
3 beds, split-level recept, new kitchen
2 bath, parking
Garden
£475 pw

ST JOHNS WOOD NW8
Lux apart 2 beds, 2 recep, kit & 2 bath, superb patio overlooking Regents Parking. Rent incl Park, CH & CHW
£375 pw

MARYLEBONE ST W1
Selection of studios. 1 & 2 Bed flats in prestige new building. Rents £200-£375

Hampstead 01-435 5475
St. Johns Wood 01-586 8817
Overseas Office: Hong Kong
West End 01-935 1224

PARKSIDE, KNIGHTSBRIDGE

Flats now ready for occupation in this superb Edwardian building all with balconies and directly overlooking Hyde Park. Redecorated and refitted — all have 3 bedrooms, 3 bathrooms, fully fitted kitchens, large reception rooms, separate dining room.

To let unfurnished — no premium.
12 year leases with 3 year rent reviews.

MELLERSH & HARDING
Residential

43 St. James's Place, London SW1A 1PA
Tel: 01-499 0866 Telex: 24310 Fax: 01-408 1387

Kenwoods

We Specialise in

- ★ LONG/SHORT LETS
- ★ London/Suburbs
- ★ Company/Embassy & overseas clients
- ★ Full management of furnished apartments & houses

23 Spring Street, London W2
Tel: 402-2271/5
Telex: 25271 KENWOOD G Fax: 01-262 3750

CARLETON SMITH & CO.

CITY & DOCKLANDS

Bridewell Place, E.1. £120 p.w.
A brand new one bedroom apartment in this wonderful development, fully furnished and equipped, secure under cover parking. Available now.

Leybourne House, E.1. £140 p.w.
A studio, situated within minutes of the City, with balcony, modern kitchen, secure parking, communal facilities include porterage, swimming pool. Available now.

Gun Place, E.1. £140 p.w.
A west facing sunny studio with balcony and views over London's roof tops, fully equipped kitchen. Close to local amenities and tube. Available now.

Wapping High Street, E.1. £150 p.w.
Available now, the one bedroom show flat with balcony and views over the river, secure underground parking, tube and local shops very near.

Lloyds Wharf, S.E.1. £150 p.w.
Situated in this wonderful converted warehouse a studio on St. Saviour's Dock. Spacious with luxury bathroom, dressing area, secure parking. Available now.

Caledonian Wharf Road, E.14. £160 p.w.
A comfortable three bedroom house with study, utility room, guest cloakroom, garage. Available now.

Frans Hals Court, E.14. £165 p.w.
Wonderful views overlooking the Thames from your front balcony, a two bedroom, en suite apartment, spacious reception. Available now.

Queens Quay, E.C.4. £165 p.w.
Situated in the City with stunning views over the Thames and London Bridge, a one bedroom pied-a-terre, 24 hour porterage. Available now.

St. Anthony's Way, E.1. £180 p.w.
In St. Katharine's Dock, providing easy access to the City and Tower Hill tube, a two bedroom maisonette with guest cloakroom, secure parking. Available now.

Cinnamon Wharf, S.E.1. £180 p.w.
Providing views and plenty of sun from the spacious balcony over St. Saviour's Dock and the Thames, a one bedroom apartment, secure parking, 24 hour porterage. Available now.

Oliver's Wharf, E.1. £180 p.w.
A two bedroom apartment in this wonderfully converted warehouse with views of the Thames from the reception room, bathroom and shower room secure parking. Available now.

Havering Street, E.1. £200 p.w.
A three bedroom Edwardian house, with plenty of charm and style. Dining room, kitchen, reception with doors onto private walled garden. Available now.

Tower Bridge Wharf, E.1. £200 p.w.
Situated in St. Katharine's Way within minutes of the City and Tower Hill tube, a one bedroom apartment with stunning views of the Thames and Tower Bridge. Secure underground parking, porterage. Available now.

New Concordia Wharf, S.E.1. £240 p.w.
A one bedroom apartment situated on St. Saviour's Dock, reception, study or second bedroom, secure parking, communal facilities include swimming pool and caretaker. Available now.

Cinnamon Wharf, S.E.1. £250 p.w.
Spacious sunny two bedroom apartment with modern kitchen, balcony with views over St. Saviour's Dock and Thames. Secure parking, 24 hour porterage. Available now.

Lloyds Wharf, S.E.1. £300 p.w.
A two bedroom apartment with two bathrooms, spacious reception, fully equipped kitchen, furnished with style. Secure parking. Available now.

New Concordia Wharf, S.E.1. £300 p.w.
Penthouse apartment with views of St. Saviour's Dock and London roof tops. One bedroom with large study or second bedroom, en suite, shower room, luxury kitchen, balcony and roof-top garden. Secure parking. Available now.

New Concordia Wharf, S.E.1. £350 p.w.
Three bedroom apartment featuring wooden beams and pillars of this converted warehouse, en suite, shower room, guest cloakroom, secure parking, balcony over St. Saviour's Dock and Thames. Available now.

Anchor Bollerhouse, S.E.1. £350 p.w.
The stunning two bedroom show flat with magnificent views of the Thames and Tower Bridge. Modern kitchen, luxury bathroom, dressing area. Secure parking, porterage. Available mid-November.

Blyth's Wharf, E.14. £350 p.w.
Situated in historic Narrow Street, a three bedroom house with separate dining, with magnificent water views, spacious kitchen, reception with views over Thames, study with patio, guest cloakroom, shower room, bathroom, en suite, utility room. Garage. Available now.

CONTACT DONNA COOPER or JANE MUNCER
59 East Smithfield London E1 9AL **Tel: 01-488 9017**

SAVILLS RENTALS

CHRISTCHURCH STREET, SW3
Newly decorated and furnished house with 3 bedrooms, 2 reception rooms, kitchen, 1 bathroom, 2 shower rooms, cloakroom, roof terrace.
£600 pw.

CARLYLE SQUARE, SW3
Stunning unfurnished house with 4 bedrooms, 3/4 reception rooms, kitchen, 2 bathrooms, shower room, cloakroom, garden and garage.
£1700 pw.

STANHOPE GARDENS, SW7
Excellent flat in this new development with 2 bedrooms, reception room, kitchen, 2 bathrooms.
£385 pw.

CHELSEA HARBOUR, SW10
Ready to move into, this immaculate flat has 2 double bedrooms, large reception room, kitchen, 2 bathrooms, cloakroom, balcony with views down the river.
£550 pw.

01-730 0822 139 Sloane Street, London SW1X 9AY

Hampton & Sons

Beaufort Gardens, Knightsbridge, SW3.

A superb new development within a Regency facade located in this fashionable area minutes from Harrods. Excellent porterage and high security. The properties have been meticulously converted into twenty-three beautifully appointed apartments, some with west facing terraces.
All are elegantly furnished with well equipped Bosch kitchens. One to four bedrooms from £350 per week.

St. James's Office 01-493 8222 6 Arlington Street, London SW1A 1RB.

AN APARTMENT FIT FOR A KING.

Near Buckingham Palace, lie the apartments of St James Court. The hotel is one of the finest in Europe; its apartments without parallel anywhere.

Now returned to their former Edwardian glory, they range from studios to three bedroom suites, available for short or long lets.

Some overlook our splendid Victorian fountain, while others command views of Buckingham Palace and Westminster.

You'll be royally spoilt. After all, St James Court is the best place to stay. (Next to Buckingham Palace).

ST JAMES COURT

ST JAMES COURT HOTEL & APARTMENTS, BUCKINGHAM GATE, LONDON, SW1E 6AE. TEL: 01-834 6655. TLX: 938075 TAJJAM G. FAX: 01-630 7587.

BRADLEY-GORDON

FULLY FURNISHED LET
DEVONSHIRE PLACE, W1
Magnificent one bedroom flat in elegant privately owned house. Furnished and decorated to the highest standard. Elegant drawing room and luxury kitchen.
Entrance Hall; Drawing Room; Fitted Kitchen; Bedroom with En Suite Bathroom.

FULLY FURNISHED LET
LANCASTER TERRACE, W2
Immaculate fifth floor flat in a prestigious mansion block with large reception room ideal for entertaining and a new fully fitted kitchen. Entrance Hall; Reception Room; Kitchen; 2 Bedrooms; En Suite Bathroom; Shower Room; Lift.

01-486 1192

FARRAR STEAD GLYN

Well furnished properties in good residential areas

DRAYTON GDNS, SW10
Superb 3 bed, 2 bath, 2 recep house with garage, perfectly presented for company entertaining and highly recommended for long let. £700 pw.
01-370 4329

WINDSOR WAY, W14
Spacious penthouse in prestigious new development. 2 baths (1 with jacuzzi), dbl recep with din area for 10, lrge roof terr with barbeque, priv park. Excl for entertaining. Highly recom. Long Co let. £650 pw.
01-603 9291

BRADBOURNE ST, SW6
Beautiful unfurnished family house with 5/6 bedrooms, 3 bathrooms, recep room, dining room, fully fitted kitchen. Available immediately. £550 per week.
01-736 4851

COURTFIELD GARDENS LONDON, SW5

Well decorated flats in new conversion - £350 - £450 per week. Use of Communal Gardens. Co. Lets - Long Lets.

KATHINI GRAHAM LTD
18, MONTPELIER MEWS, LONDON, SW7
01-584-3285

MAYFAIR

We can offer a spacious newly interior designed flat in a modern block overlooking a quiet mews. 1 Double Bedroom: Drawing Room with Dining alcove: Well equipped Kitchen: Bathroom with Wall Shower. Owner seeks discerning Tenant for 1 year minimum. £400 per week to include CH.

DE LA RUE 01-493-2224/2938 01-491-1223

IRONSIDES RESIDENTIAL RENTALS

Our monthly listings average over 150 available flats and houses prepared for rental with the international tenant in mind. Prices range from £120 to £3,000 per week. Full listings on application.

Ironsides, the Residential Rental Specialist
24 Beauchamp Place, London, SW3
Telephone: 01-581 5877/2470 Telex 291603 PRLON G.
FAX 01-493 1063

CHELSEA SW3
Elegant 3rd floor flat in prestigeous block with balcony, overlooking gdn sq, 2 dble beds, spacious w/facing recep & hall, bath F/F kit £350,00 p.w
MAIDA VALE W.9
Interia designed flat in excellent block with private gdns & overlooking the park, dble recep, 2 beds, 2 baths & guest cloak, excellent F/F kit £375,00 p.w.
LANCASTER GATE W.2
Gallaried recep in excellent maisonette, 2 dble beds, 1 single/study, 2 baths excellent F/F kit/ din rm, S.W. facing roof ter. £500,00 p.w.

MUNRO PROPERTIES
Best properties 01-377-2600 Finest Service

Bargets

RESIDENTIAL LETTINGS LTD

IS YOUR LETTING AGENT EFFECTIVELY OFFERING THE FOLLOWING SERVICE?

1. Accompanying you on all appointments.
2. Showing the finest properties available to suit your requirements.
3. Comprehensive pre-inspection to save you valuable time.
4. Contacting other agents on your behalf.
5. Arranging appointments within hours of your call.

— WE DO! —

[illegible]

Sturgis

BUNHOUSE PLACE, SW1
Newly decorated house with 3 beds, 2 receps, 2 baths, garage. All machines.
£500.00 per week - Long Co Let

CAMPDEN HILL GARDENS, W8
Excellent maisonette with pretty garden. Dble recep, 2 dbl beds, 2 baths. Burglar alarm. All machines.
£450.00 per week - Long Co Let

NORLAND SQUARE, W11
Brand new 3rd floor flat with lift and porter. 1 bed, 1 recep, 1 bath. Use of square gardens & Tennis Court.
£280.00 per week - Long Co Let

Sally Anderson or Julia Wiggins
94 Old Brompton Rd - 01-244 7441

LETTING

Keith Cardale Groves

FURNISHED FLAT TO LET
CREMORNE ROAD, SW10
Superb newly refurbished 3 storey house on the Thames with a pretty garden and roof terrace. The colour scheme is based on beige and cream with high quality furniture throughout. The house is dbl glazed and has dbl front doors. Ent hall, recep rm, din rm, kitch/breakfast rm, 4 dbl bed, 2 bath.
£475 per week.

01-629 6604

Avenue Road, NW8
- Superb unfurn flat to let, 4 Beds, 2 Baths, (1 en-suite), Dressing Rm, Dble Recep, Din. Rm, Large Kit, Cloakrm, Communal Gardens, Lift, Porter, C.H.W., etc.
£550 p.w.

Godfrey Street, SW3
- Unfurn. house to let, 4 Beds, 3 Baths, Dble Recep rm, Kit, 2 Roof Terraces.
£475 p.w.

LANCASTER GROVE NW3

A selection of luxury one, two and three bedroomed furnished flats available for rental in this stunning new conversion.

For Full Details Telephone
Henry & James,
Estate Agents
(01) 235 8861

YORK ESTATES

Are you looking for a property to rent in Central London, long or short term? If so contact one of London's leading rentals specialists on:

(01) 724 0335

81-82 Crawford Street,
London, W1H 4AT

OFF PORTLAND PLACE W1

Selection of superbly refurbished 2 and 3 bedroomed apartments. Fully furnished, fitted and equipped to the highest standard. Company lets.

Winter & Company
(01)-734 5043

HENRY & JAMES

CONTACT US NOW ON
01-235 8861

For the best selection of Furnished Flats and Houses to Rent in Knightsbridge, Belgravia and Chelsea

---

AROUND TOWN FLATS
120 HOLLAND PARK AVE, W11
(01) 229 9966

V. Smart Mews house. Master bedroom en-suite, 2 further beds. Recep, spiral staircase, garage. Co let 1 year min. £325 p.w.
2 beds flat, 2 baths, unusual architect designed flat in 1850's house, terraced garden, every amenity. Co let 1 year min £225 p.w.

LYHAM PROPERTY SERVICES

Offer total "worry free" management of your home

- *Free valuations
- *Carefully vetted tenants
- *Blocks of flats managed
- *Let only or full management

Plus more - please telephone for our booklet 01 736 4485

KENSINGTON FLATS

Immediate selection of two and three bed luxury flats in W1, 2, SW3 and 7
£180-450 p.w.
- Any Let -

Tel (01) 370 2037

LUXURY FLAT TO LET - MAYFAIR W1

Double Bed, One Recep, Bath/Shower, Fully Fitted Kitchen. Minimum let four months. £250 per week.

Reiff Diner
Tel: (01) 491 3154

BARBICAN EC2

Selection of furnished flats for Co. lets from £180 p.w. 6 mth term minimum.

FRANK HARRIS & COMPANY
01-387-0077

BLANDINGS

The specialists in luxury country property rental throughout U.K. Accommodating 2 to 18. Lets of 1 wk + Col. brochure:

The Old Vicarage, France Lynch, Stroud, GL6 8LN. Tel: (0453) 882544 Tlx: 43214 BLDGS G

Wimbledon and S.W. District - Good selection hses/flats. No fee to tenants. Williams and Son (01) 947 3130

WEST MIDLANDS SOLIHULL - Superior 4 bedroomed house fully furnished with conference room, swimming pool and superb gardens, with services if required. Apply Greek Key Homes, Ryland House, 44-48 Bristol Street, Birmingham, B5 7AA. Tel: (021) 622 3633.

Knightsbridge - Pied a Terre. Christmas shopping at Harrods, and West End Shows. £25 per night inc. 01 441 7257

Why stay in a hotel: - London House Apartments Ltd offer you alternative accommodation, with k'tchen and recep. Tel (01) 724 1736

BEHR & BUTCHOFF—for luxury properties in St John's Wood, Regent's Park, Maida Vale, Swiss Cottage and Hampstead. (01) 586 7561.

BAKER ST, W.1. Close

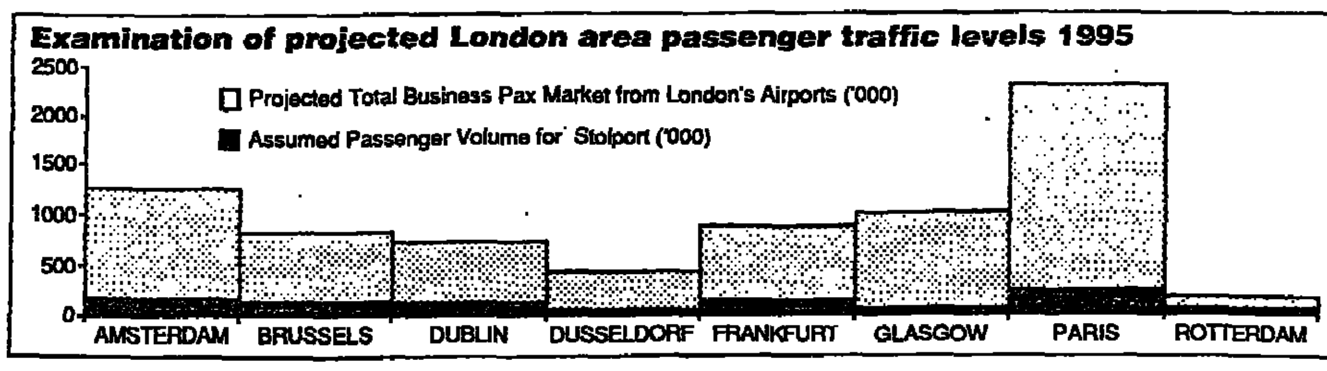
A superb selection of tastefully designed one/two/three bedroom unfurnished flats (carpets, curtains, light fittings and kitchen equipment included) in brand new development. Incl C.H. Video Entryphone etc. 3 yr leases. Rents from £10,000 p.a. exc. For full details of these and other fine residential properties to be let and for sale contact Ref: SPP.

Wilks Heads & Eve
9 Harley Street, London W1N 2AL.
Tel: (01) 637 8471: Fax: (01) 631 0536

PROPERTY TO RENT

From Today
Classified Rentals will appear
every Monday

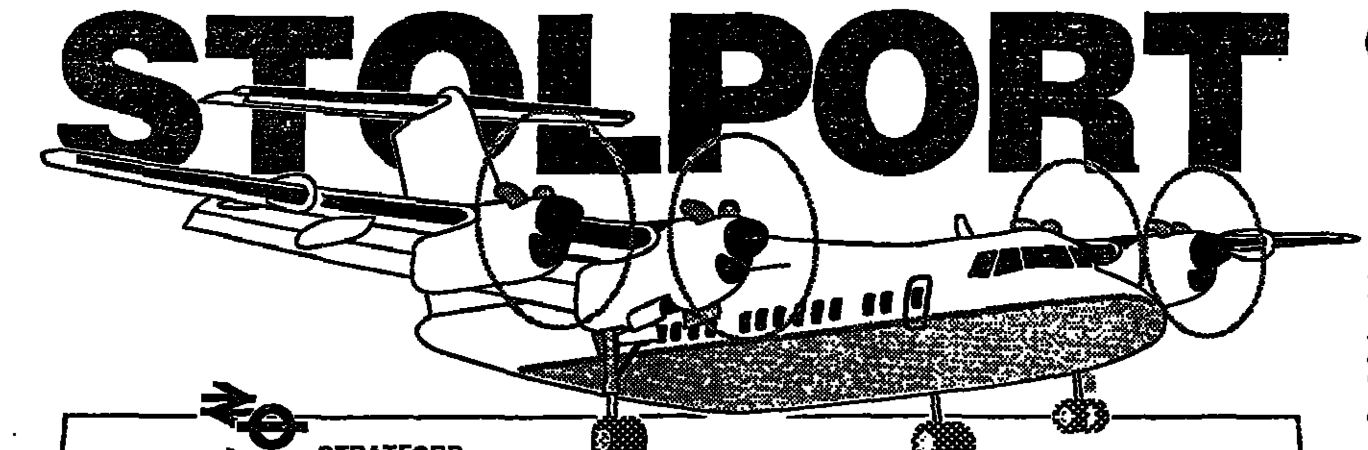
For details of how to advertise please contact:
Clive Booth
Telephone: 01-248 5284
Fax: 01-248 4601



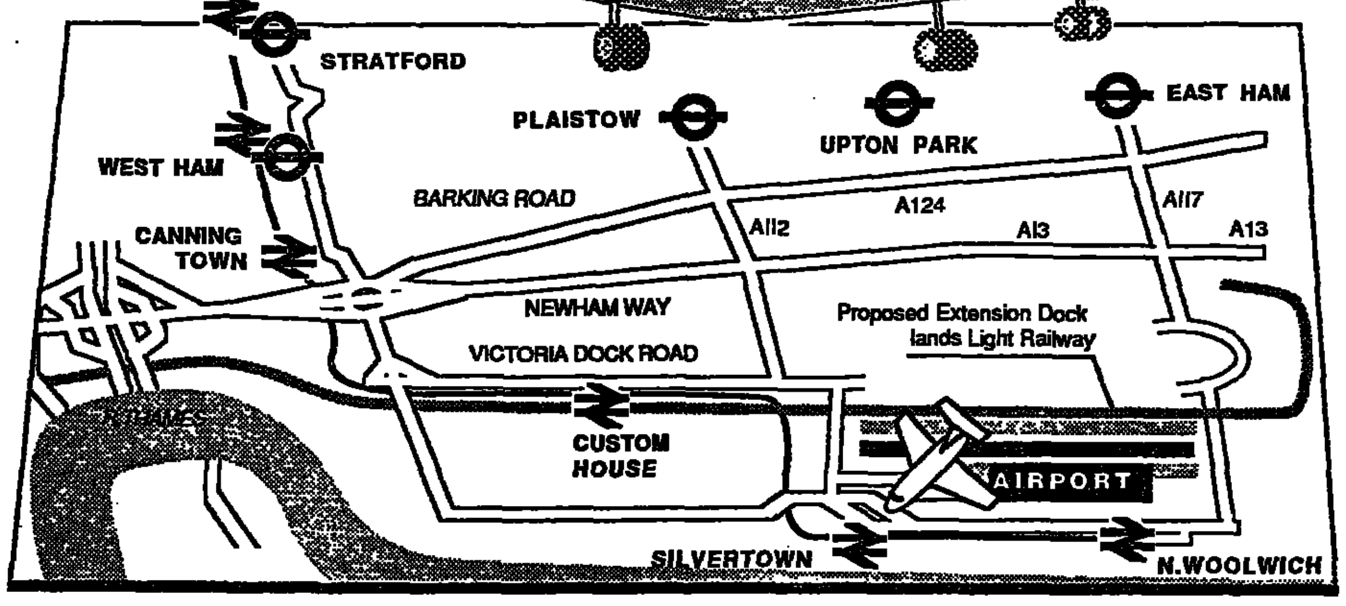
FINANCIAL TIMES

SURVEY

STOLPORT



The first passenger services start today at the new London City Airport, the first all-new airport in Britain for 30 years and the first in the country built specifically for short take-off and landing aircraft. **Michael Donne,** Aerospace Correspondent, reports.



CONTENTS

City set for take-off

WITH THE first passenger services *starting today at* the new London City Airport - or Stolport as it is also known - the UK gets its first completely new airport for 30 years, since the new *Gatwick* Airport was opened.

Airports close to city centres can be found in various parts of the world. Belfast and Plymouth are examples in the UK, while Washington's National and Rio de Janeiro's Santos Dumont are others. Many more, such as Heathrow, are surrounded by *built-up areas.*

London's Stolport is, however, the first airport in Britain built solely for, and with its use restricted to, short take-off and landing fixed wing aircraft. It is also aimed specifically at the business traveller.

The new airport, which is to be formally opened by the Queen on November 5, has been built as a £32m private venture by John Mowlem, the construction engineering company, on a *disused wharf* between the Royal Albert and King George V docks, in what has been for several years the disused and derelict Docklands area of London.

The entire Docklands area has been, and still is, undergoing extensive redevelopment, under the direction of the London Docklands Development Corporation and with substantial infusions of cash from private commercial sources. As a result, a major new business, industrial *and residential* community is growing up in that area.

The new airport is designed not only to serve that rapidly-expanding business community and the City of London itself, but also the even wider catchment area of East London, Essex and South Eastern England as a whole.

It is designed primarily for direct access by private cars or taxis (although many cab drivers *do not yet know precisely* where it is). It is 6.7 miles by road from the Bank of England, well inside the built-up area of London and reachable from the City in under half an hour depending on traffic conditions.

By comparison, Heathrow is 17.5 miles by road to the west of the City, Gatwick 30 miles to the south, and the newly-developing Stansted Airport some 32 miles to the north-east.

Public transport access is limited. *The Central Line* Underground to Stratford or District Line to West Ham enable connections to be made to the British Rail North London line, whose Silvertown Station is 400 yards from the Stolport, but services on the latter line are limited.

The new Docklands Light Railway does not currently go anywhere near the airport, and many observers believe that the most rapid expansion in the use of the Stolport is only likely to be achieved by extending that railway to a point much closer to the airport terminal.

Existing plans provide for such an extension along the north side of the Royal Albert Dock, which if implemented would still require some form of transit bus service to the other *side of the Dock where the* terminal stands.

An extension directly to the terminal would be more convenient, but even the limited improvement allowed under present plans would enable connections to be made between Tower Gateway station (near the Tower of London) and Tower Hill on the London Transport underground railway network.

No firm dates for any such extensions have yet been set, but their early implementation would overcome one of the most often-quoted criticisms of the Stolport to date - its difficulty of access other than by road.

Nevertheless, many of those closely associated with the airport's development over recent years believe strongly that within *a short period its existence* will change travelling habits on short-haul Continental routes, especially among business users, and more particularly among Continentally-based travellers coming to the City of London.

Success with the Stolport may well accelerate ambitions for similar airports in other UK and Continental City centres, and might well be the catalyst for the extensive development of "commuter" type air transport operations *in the UK.*

The first services to and from the Stolport will be to Paris, operated in competition between Brymon Airways (in which British Airways has a 40 per cent shareholding), and Eurocity Express, an airline specially set up by the Airlines of Britain Group (*which includes British* Midland Airways, Loganair and Manx Airlines) to use the Stolport. At the same time, Eurocity Express will start services to Brussels, being *followed* there later by Brymon.

Both airlines have signed agreements with major foreign airlines: Brymon with Air France for its Paris operations, and Eurocity Express with Sabena of Belgium for its flights to Brussels.

Brymon has also been licensed for *Amsterdam, Plymouth* and Newquay, and Eurocity for Amsterdam, Dusseldorf, Rotterdam, Guernsey, Jersey and Manchester. Both are likely to seek further links with foreign airlines to ensure the rapid build-up of a network of operations from the Stolport.

The Stolport's ultimate capacity is 1.2m passengers a year, with a maximum permitted operation of 120 flights daily on weekdays *and 40 a day* at weekends and holidays, with flying confined (except in emergencies) to between the hours of 6.30am and 10pm Mondays to Saturdays, and 9am to 10pm on Sundays and Bank and Public Holidays, to protect the surrounding areas from noise disturbance.

No club or recreational flying will be permitted, and strict conditions on aircraft noise levels are being imposed, with a ban on helicopters except in emergencies.

The terminal building is surprisingly large for a small airport, and is spaciously designed, with such *facilities* as shops, restaurant, telephones and other amenities, including a business centre (run by British Telecom's Network Nine) *with meeting* rooms, self-contained "work areas", a boardroom suite and conference area.

Walking time from the centre of the terminal to the furthest aircraft gate is only four minutes.

Although John Mowlem and *the two airlines initially using it* call the new development the London City Airport (LCY is its international designation), the popular and simpler designation of *Stolport* stems from the fact that although it is a fully-fledged airport, designed from the start with scheduled commercial passenger services in mind, its single runway is short, only 762 metres (2,000 feet) in length, although the actual length of available concrete is *1,030 metres.*

As a result, its use is restricted to aircraft that have short take-off and landing characteristics, which include an ability to approach a landing, and climb away on take-off, at a much steeper angle (7.5 degrees) than normal, both to reduce environmental noise and to ensure the avoidance of actual or possible future tall structures in the locality.

It also means that the airport *will always be restricted to* short-to-medium distance flights, primarily for UK domestic and near-Continental destinations. As currently designed, large, long-haul aircraft (such as Boeing 747s or McDonnell Douglas MD-11s) will never be able to use it, but this is no barrier to long-distance travel because many business travellers will be able to fly from the Stolport to connect with long-haul flights at Continental airports.

Indeed, this is one of the main reasons for the links already arranged between Brymon and Air France and between Eurocity Express and Sabena. The further *discussions* the two UK airlines are also holding with other Continental airlines are intended to ensure as big a potential traffic catchment area as possible.

Initially, the two UK airlines will operate flights from the Stolport both in their own right as well as on behalf of the two foreign airlines, but eventually it seems likely that as traffic builds up, both Air France and Sabena will buy their own Dash Seven aircraft and conduct their own operations there.

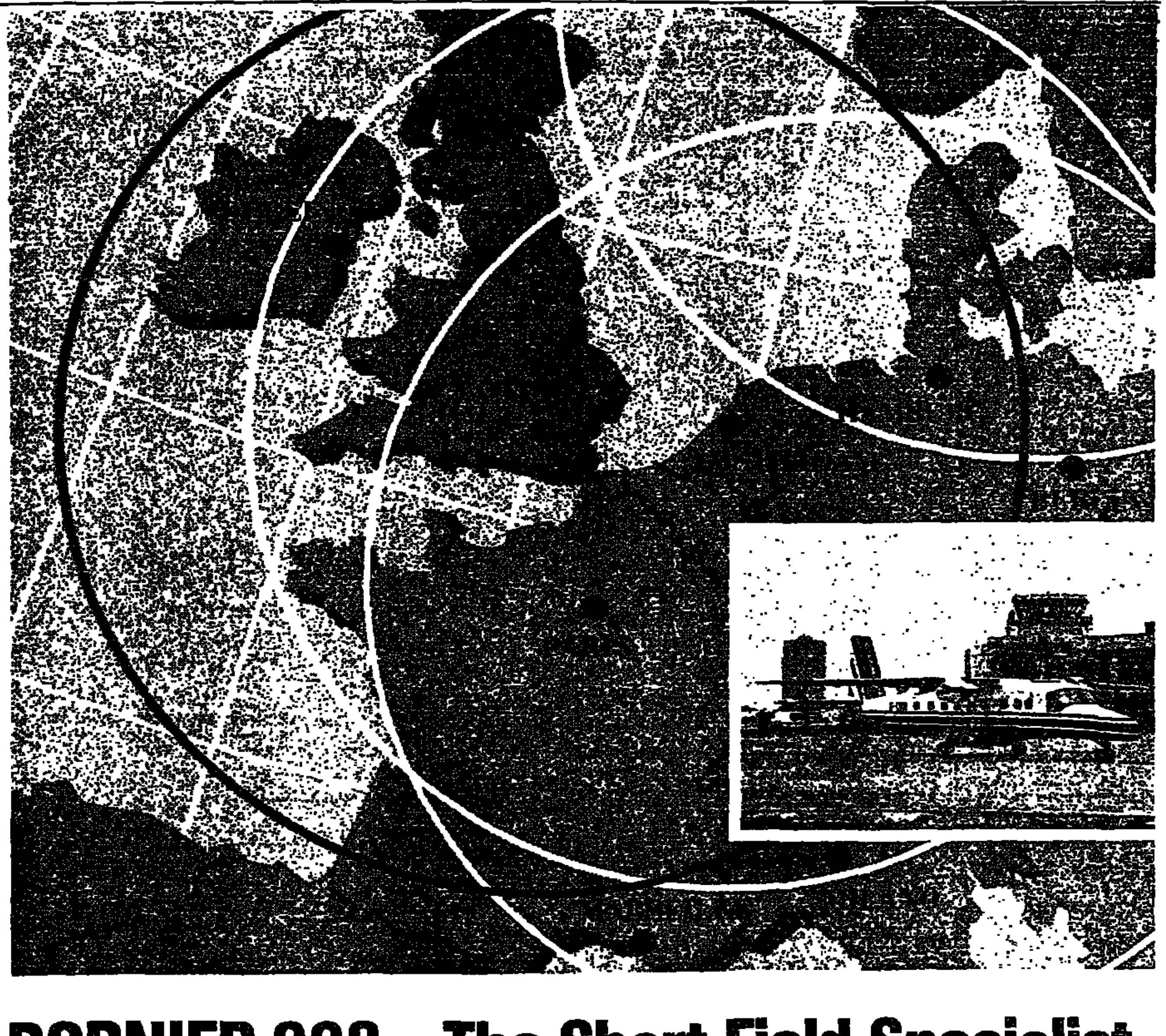
So far, no other UK airlines have applied to the Civil Aviation Authority for licences to *and from the Stolport, but some* are known to be thinking of doing so soon. Also, several major foreign airlines are watching the Stolport closely.

Initially, only the four-engined turbo-prop 50-seat Dash Seven airliner, built by de Havilland Aircraft of Canada, will be used at the Stolport, having satisfactorily met the noise and short take-off and landing criteria laid down by the Departments of Environment and *Transport and the Civil Aviation* Authority for operations there.

The DHC Twin Otter, a smaller, 19-seater turbo-prop Stol aircraft can also be used, although it is noisier than the Dash Seven, but so far no airline has applied to do so.

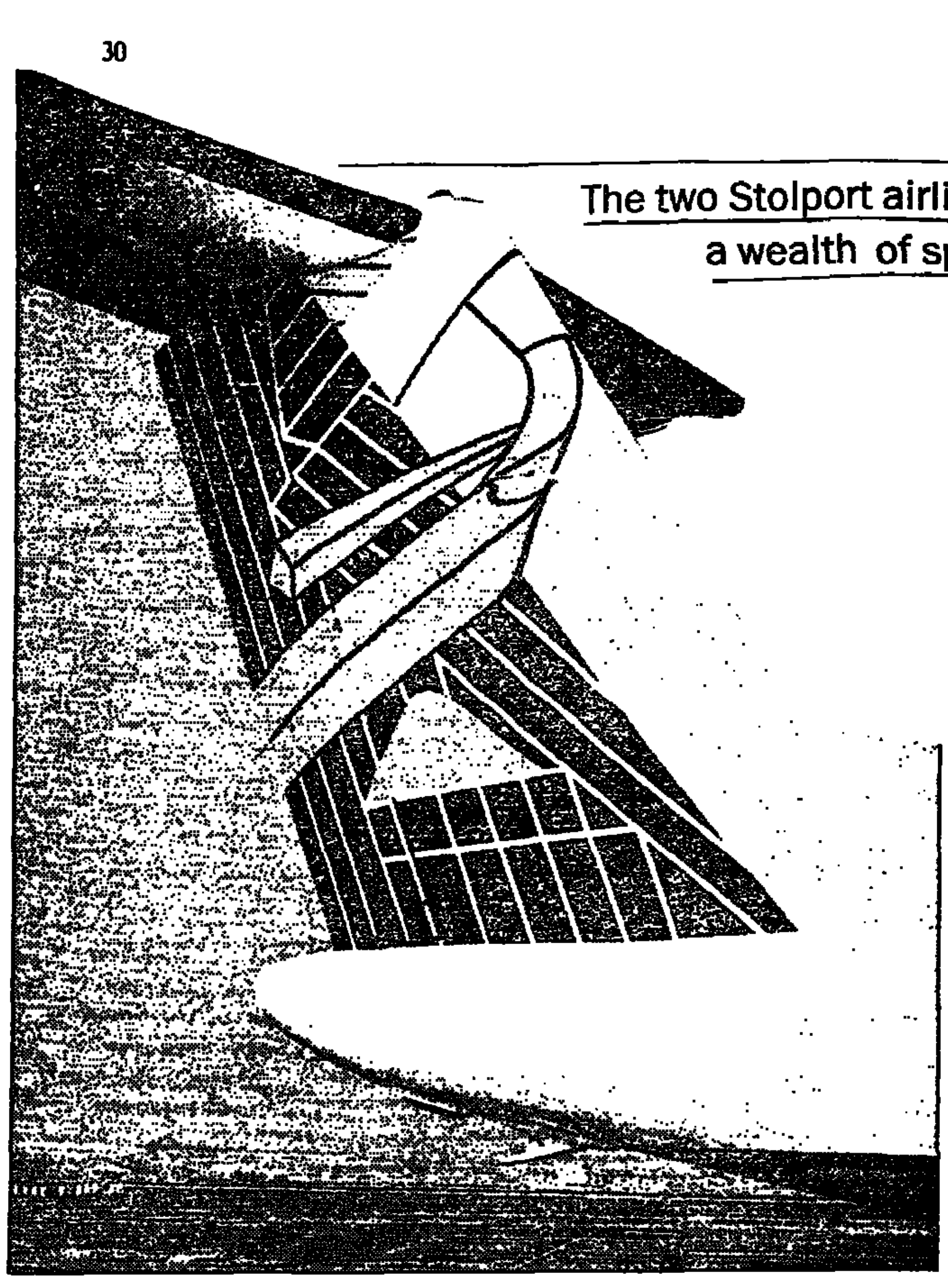
Both Brymon and Eurocity Express are equipping with Dash Sevens - Brymon has two already, with two more to come, while Eurocity Express has two *and three more to come. They* are planning to expand their

Continued on page 4



STOLPORT 2

The two Stolport airlines are set to provide a brisk and efficient service for business travellers, based on a wealth of specialist flying experience. A fierce fight to win passengers has already started



Eurocity's pinstripe insignia

Brymon's Docklands service: an extension of its Dash Seven operations

Roger Taylor

Specially-created carrier

OF THE TWO UK airlines currently licensed by the Civil Aviation Authority to operate air services into and out of the Stolport, one, Brymon Airways, is already an extensive and expanding regional operator, while the other, Eurocity Express, has been specifically created to conduct Stolport services by Mr Michael Bishop, chairman of the Airlines of Britain Group which also includes British Midland Airways, Manx Airlines and Loganair.

Eurocity Express has been licensed by the CAA to fly between the Stolport and Amsterdam, Paris, Brussels, Rotterdam, Guernsey, Jersey, Dusseldorf and Manchester.

Mr Bishop says that before proceeding with the launch of Eurocity Express, his group "carried out considerable market research to establish the profile of passengers likely to use the proposed services.

"Businesss travel will be the dominant feature of the new services and we shall be using the experience gained over 33 years of operating scheduled services to tailor this new airline primarily for the businessman".

It is Eurocity's belief that small airlines, with their emphasis on the individual needs of their passengers, are likely to be the most successful at the Stolport. The business market to and from the City of London is a specialist market, and Mr Bishop stresses that "Eurocity Express is designed to serve that market with the backing and experience of its associated companies in the Airlines of Britain Group."

Mr Bishop says he decided to compete directly with Brymon Airways from the first day of operations at the Stolport. "The more frequencies on more routes from the first day, the more people will use the airport."

He says that although the Stolport network will account for only about 15 per cent of the total activities of the Airlines of Britain group, it has cost some £5m in investment to set up the operation to date. He expects Eurocity to earn profits within three years.

Eurocity argues that the advent of the Stolport could conceivably revolutionise current European short-haul air travel habits.

"Success in London will inevitably mean an acceleration of plans which are presently little more than pipedreams for similar projects in principal European cities," says Mr Jonathan Wilson, Eurocity's director and general manager. "It is believed that potential sites have already been mooted in Amsterdam, Glasgow, Manchester, Paris and Zurich.

"It is also likely to lead to dramatic changes in the way many business and other travellers will regard transport to and from the metropolis.

"And at the same time, people living in a huge area extending from the Medway towns to much of Essex, should find the Thames-side airport much handier to use than their present choice of Heathrow or Gatwick."

The airline, already dubbed the "Pinstripe Special" because of its distinctive logo showing a businessman's jacket, collar and tie, will operate up to five of the Dash Seven turbo-props.

Speed and service will be the watchwords on Eurocity's services. From the facility of a ten-minutes prior-to-departure check-in, to the in-flight catering aboard the 44-seat airliners, everything will be, in the airline's own words, "discreetly perfectionist."

The complimentary food and drinks will be to the best international standards and Eurocity will provide such conveniences as hanging space for suit carriers, car rental and taxi reservations and, eventually, airborne telephones.

Eurocity is taking a long-term view of its involvement with the Stolport, and has suggested amendments to the plans for the proposed East London River Crossing (the suspension bridge planned for construction just downstream of the Stolport runway), that would change its design to eliminate the towers which might be a hazard to future types of aircraft using the Stolport.

These amendments include either a bridge without towers or even a tunnel, neither of which, it is claimed, would add significantly, if at all, to the cost.

Such amendments to the proposed crossing, now under study, would, it is is hoped, eventually allow the airline to use the 90-seat British Aerospace 146 quiet jet airliner at the Stolport.

This, Eurocity claims, would guarantee the airport's success well into the next century, enabling routes to be launched to more distant destinations, including Copenhagen, Milan, Zurich, Frankfurt, Madrid and Munich.

Michael Donne

Pedigree of experience

BRYMON AIRWAYS was the first airline to become involved in the London City Airport, or Stolport, as the short take-off and landing airport was called when John Mowlem, the construction company first proposed the idea in December 1982.

The airline was also the first and (then) the only one in Britain to operate the Dash Seven four-engine, short take-off and landing aircraft, with 50 seats, one of only two types of aircraft permitted to operate from the airport. The other aircraft is the de Havilland Twin Otter.

This pedigree has ensured that Brymon Airways has more experience of the Stolport project and the short-take off and landing aircraft required to operate from the airport, than its rival at the London City Airport, Eurocity Express, but Eurocity is gaining experience of its Dash Seven aircraft fast and a fierce fight for passengers has already started.

Brymon is based at Plymouth, Devon and until the advent of Stolport, has had a relatively hard time trying to maintain profitable services and expand on to new routes. Brymon hopes the opportunities it has at Stolport will change all that.

Mr Charles Stuart, a former marketing director of British Airways, was brought in help to try to restore Brymon Airways to profitable operation, at a time when it was close to bankruptcy, with losses of £2.8m on a turnover of £7m.

Mr Stuart came to Brymon in October 1983, when he succeeded Mr Bill Bryce, founder and principal shareholder of the Brymon group. This was after the airline had become involved with John Mowlem in promoting the Stolport concept for the Docklands.

Brymon has been involved with Stolport from the beginning

Nevertheless, it has been largely up to Mr Stuart to help lift Brymon from its past sluggish performance and provide the marketing ideas that are likely to be crucial to the success or failure of Brymon's operations from London City Airport.

Mr Stuart came to Brymon at the request of de Havilland Canada, which acquired Brymon in December 1983. He intended originally to stay "no more than a year," but stayed on during 1985 to help de Haviland sell Brymon to British interests. In the event, Mr Stuart and his colleagues acquired Brymon, with a minority trade investment from British Airways, Mr Stuart's former employer, on December 31 1985.

He is now chairman and chief executive of The Plimsoll Line, a holding company which embraces Brymon Aviation, trading as Brymon Airways, and Brymon Airports, trading as Plymouth City Airport. Mr Stuart is the head of all these companies.

Brymon began air services as Brymon Aviation in June 1972, when a nine-passenger Islander aircraft flew from Newquay Airport, in Cornwall to begin the first scheduled passenger flight of the new airline. The aircraft flew to the Isles of Scilly.

The airline acquired its first Dash Seven in mid-1981 and made the first landing of the aircraft in the disused Docklands, at Heron's Quay in the Isle of Dogs, exactly one year later on June 27 1982.

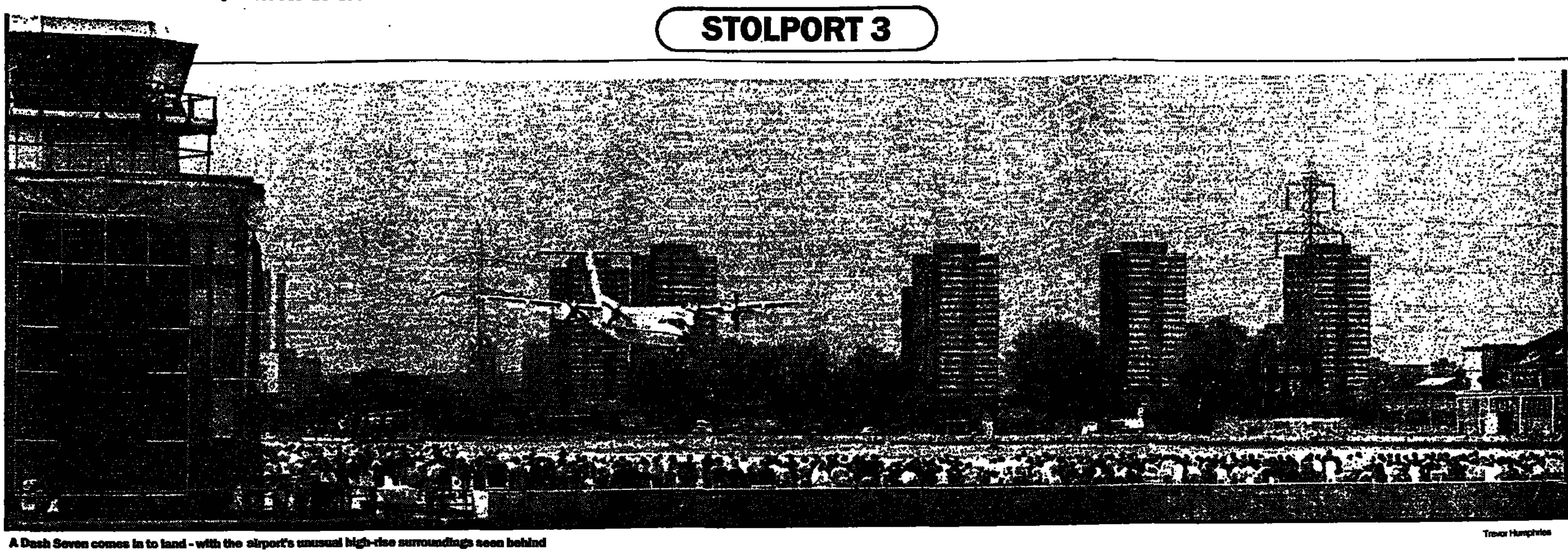
The airline applied to the Civil Aviation Authority for licences this year to operate the Dash Seven for inter-city flights from the London City Airport. For most of the time from the first Docklands landing to the hearing for route licences, Brymon was the only applicant, although subsequently five rival airlines attempted to win licences, with Eurocity Express the only other one to succeed.

Brymon was awarded licences to operate from London City to Paris, the first service from the airport to start from October 26, with the operational opening of the airport, and to Brussels and Amsterdam. There will also be a Brymon service from London City to Plymouth/Newquay.

Brymon now has three Dash Sevens. It has ordered two more for delivery before next April, to serve Amsterdam in April and Brussels at a later date to be decided. The airline is also evaluating further routes, including Exeter, Jersey, Belfast Harbour and Frankfurt.

To serve all these destinations, Mr Stuart and his team have conceived "Cityclass" as a fresh approach to attract business travellers. Mr Stuart wants Cityclass to become known as the automatic way for Stolport passengers to travel - in the same way that the shuttle concept has become a way of describing a turn-up and take-off service.

Lynton McLain



A Dash Seven comes in to land - with the airport's unusual high-rise surroundings seen behind

Trevor Humphries

Traffic projections suggest that the airport's developer can expect financial success, says **Michael Donne**

Aim of reaching break-even in three years

THE £32m COST of building the London City Airport so far is being met by John Mowlem, the airport developer, owner and operator, in several ways.

A loan of £8m has been obtained from the European Investment Bank, with another £8m being covered by loans from other financing institutions now being discussed. The remaining £16m is being met from John Mowlem's own internal resources, to ensure a debt-equity ratio on the venture of 50:50.

John Mowlem expects the airport to break even within three years, and to start earning profits thereafter.

This projection is based on estimates of traffic reaching about 830,000 passengers a year by 1990 (of which about 700,000 will be international passengers), and continuing to expand until the 1m level (including between 800,000 and 900,000 international passengers) is reached around the mid-1990s.

Traffic growth thereafter, beyond the airport's capacity of 1.2m a year, may lead to expansion of the facilities and the need for increases in the number of permitted movements.

These figures are based primarily upon the routes, both domestic and international, currently licensed by the Civil Aviation Authority from the Stolport, but they also include an element for additional traffic stemming from new routes that may be introduced by other British and foreign airlines moving into the Stolport in the years immediately ahead.

Current estimates by John Mowlem for traffic growth also envisage the number of Dash Sevens being used at the Stolport rising from four this year to eight by the end of 1988, and further to ten by the end of 1989 and 12 by 1990. These figures could change if other aircraft types are eventually introduced there.

On current forecasts Paris is likely to be the busiest of all the international routes currently planned from the Stolport, at least in the initial years of operation.

By 1995, overall passenger volume on the Paris route from all the London area airports is expected to be about 4m. Of this, about 2.3m passengers will be business travellers, of which in turn the Stolport is expected to handle about 212,000 a year, or about 9.2 per cent.

The next busiest route seems likely to be Amsterdam, with a total London area traffic level of about 2.2m by 1995, of which in turn over 1.25m will be business travellers, of which Stolport will handle some 140,000 or about 11.2 per cent.

The London-Brussels route will be handling some 1.2m passengers by 1995, of which some 820,000 will be business travellers, of which Stolport's share in turn will be about 15 per cent or some 120,000.

For domestic operations, the busiest route is expected to be Glasgow, with a total London area passenger level of 1.4m by 1995, of which in turn more than 1m will be business passengers, with Stolport handling 5.2 per cent or 53,000.

John Mowlem will operate the airport itself, providing all the staff other than those employed by the concessionaires (for example in the shops, restaurant and bars) and the air traffic control staff who are being provided by the Civil Aviation Authority's National Air Traffic Services.

The company expects the investment in the Stolport to be recouped as to 80 per cent through "traffic charges" - landing charges, aircraft parking and other fees payable by the airlines - with the other 20 per cent coming from "commercial charges", such as rents from concessionaires.

The landing fee per tonne for a Dash Seven airliner (weighing about 20 tonnes) is set at £11, which compares with fees at local airports in the UK of £9.67 for Leeds-Bradford, about £10 for Bristol and about £9.90 for Tees-side.

In addition, there will be a load supplement of £3.50 per passenger for domestic flights, and £7.50 for international flights, and a security levy of £1.50 per passenger, all paid by the airlines.

The revenue from concessions will include the charges for the duty-free shops, car hire franchises, hotel reservations desk, an estate agents' desk, a bureau de change, restaurant and bars, tobacconist and confectioner's shop, car parking, advertising, a business centre and freight-handling agencies.

Construction

Varied solutions on an unusual site

CONSTRUCTION OF the new Stolport involved some unique civil engineering problems, including building the apron where the aircraft will stand over a water-filled dock.

The 92-acre site is bounded by the Royal Albert and King George V docks, on the north side of the Thames. Both docks are to remain filled with water, with the runway extending from east to west for the length of the original wharf between them.

The apron where the aircraft will stand, and the terminal building itself, are at the western end of the King George V dock. Construction has been completed in 18 months, under the control of Mowlem Management, in association with architects Richard Seifert & Partners and consulting engineers Donald Butler Associates.

The two-storey concrete-framed warehouses which covered much of the site had to be demolished before construction could begin. Of the three dry docks penetrating the site, the one at the eastern end of the King George V dock provided the greatest challenge since it was just in front of the terminal building site where the aircraft apron was planned.

This 250 metres by 30 metres dock had to be decked over, as filling alone would have provided insufficient bearing strength for the aircraft, and would have led to compaction.

The dock was temporarily dammed, then pumped dry. A total of 128 columns were then erected, rising from the dock base in two rows. Universal steel beams 30 metres long were placed on top, to carry a concrete deck 225 millimetres thick.

Once this slab of concrete forming the aircraft apron was complete, the dock beneath was flooded again since the water provides long-term stability for the dock walls. The airspace above is permanently ventilated to prevent the build-up of gases.

The two other dry docks along the south quay of the Royal Albert dock were filled without difficulty, as neither is on the path of the runway pavement, but rather form part of the flat area at each end.

The single runway was then built along the east-west axis on the 149-metre quay between the Royal Albert and King George V docks. Although its declared length is 762 metres, the total surface area is 1,030 metres, 30 metres wide, with a 60-metre diameter turning circle at the eastern end and two 15-metre wide taxi-ways linking it with the apron.

The runway was ready for the first aircraft landing in May, this year.

Located at the western end of the King George V dock, the two-storey terminal building was constructed using piled foundations, and incorporates a novel frame of reinforced concrete up to first floor level with steel above.

This type of frame allowed a start on site while waiting for steelwork to be delivered, and made it possible for last-minute design changes on the ground floor to be incorporated simply by modifying the concrete framework.

The structural frame was completed by the end of 1986 and then roofed over, enabling work to continue inside. Externally, the 8,000 square metre building is clad in blue aluminium, with the airport's visual control tower with a 14-ton octagonal frame placed at its north-east corner.

Departure lounge takes shape as the airport nears completion

The two-storey pier containing the access gates to the aircraft extends westwards from the terminal building and is 300 metres long. This provides a covered way for passengers to reach the aircraft stands via gate lounges.

The design includes a steep pitched roof to act as a noise screen for neighbouring properties.

Seven stands have been built initially, four for international flights, two for domestic flights and one for mixed operations as required. Three more stands are planned, as passenger throughput rises.

The site also includes a number of minor structures, including a power sub-station, maintenance hangar and fuel store, with a disused dock office building at the western end of the site converted to house the fire, rescue and maintenance teams, with appliance garaging adjacent.

The interior decor of the terminal building, designed by Richard Seifert & Partners in conjunction with interior design consultants The Jenkins Group, emphasises "convenience and comfortable efficiency" with a simple and classic design.

The aims of the terminal are to offer fast departure and arrival without queues, with quick and easy access to aircraft, while also providing the full range of amenities expected by passengers at any airport - business and other facilities, a high-quality restaurant and prestige range of bars, lounges and retailing facilities.

Michael Donne

Air traffic controllers at work in the Stolport tower

Trevor Humphries

Air traffic pattern

Meeting the challenge

DEVELOPMENT of the new airport posed a considerable challenge for air traffic control planners, but the airport was licensed to handle passenger flights earlier this month. The first flight with passengers took off on October 14 and the ATC team was elated with an unusual job completed successfully.

The problems were related to the airport's unusual site; its relation to the rest of the London air traffic control area, one of the busiest in the world; and to the government planning authorities' insistence that only a specialised short take-off and landing airliner would be permitted to use the airport.

The site itself is hemmed in by tall flats and warehouses, industrial chimney stacks and former wharfside cranes, creating immediate difficulties in the landing path.

The London Docklands Development Corporation wants to preserve the cranes as a reminder of the former seaborne trading activities of the Royal Docks, yet their existence along the Royal Victoria Dock, directly in line with the runway, restricts the type of aircraft that can use the airport and is in stark contrast to conventional airports surrounded by acres of uninterrupted grass.

In addition, the airport site is flown over by aircraft en route to the other London airports, especially Heathrow to the west of London.

So the air traffic control requirements of the Stolport came in addition to an already demanding ATC pattern in London and South East England. The use of a specialised short take-off and landing airliner and no other, more conventional, airliners added to the complexity of the problems.

Mr Gordon Doggett, group general manager for England and Wales at the Civil Aviation Authority, who is responsible for management of the air traffic services provided by the National Air Traffic Control Service at Heathrow, Gatwick, Stansted and other airports, said recently that the development had "stimulated and fascinated the minds of many observers," especially those involved with the aviation industry.

The airport is the first all-new airport to be licensed by the CAA in England for 40 years. For the CAA, it has meant the development of "a completely new set of criteria and procedures to allow the operation of short take-off and landing aircraft into and out of an inner city site," Mr Doggett told a recent conference on the airport.

The Dash Seven can take off in a runway length of little over 2,000 feet. It is certified to land at an angle of 7.5 degrees, or more than twice as steeply as conventional aircraft. The Dash Seven can land at the more conventional approach angle of 3 degrees, but the 7.5 degree angle is required for the airport's approaches to avoid current and future obstructions and to minimise noise

Mr Chris Platt, the airport's manager of air traffic control services, says that until the advent of London City Airport there were no procedures written by the Civil Aviation Authority for such a high angle of approach. The procedures had to be written specially for the new airport and were completed after trials of the 7.5 degree approach at Stansted Airport.

The intensity of air traffic operations associated with London's other airports, Heathrow, Gatwick, Stansted and Luton, has meant careful planning to avoid "possible conflicts," Mr Doggett said.

The new airport is not in an ideal position for air traffic control purposes. The other London airports appear distant on a map, but the traffic patterns of aircraft using them traverse the airspace above and adjacent to the new airport. This makes integration of the Docklands airport's traffic into the established London Terminal Control Area "very difficult," especially since the control area comes down to a height of 2,500 feet above the new airport and is the zone used by aircraft bound for Heathrow.

Because of these complexities, the air traffic into and out of the Docklands airport is controlled from Heathrow, with its comprehensive radar facilities that give the fullest picture of air traffic in the whole region.

The National Air Traffic Control Service recommended that a "special rules zone" be established to cover the airspace around London City Airport and this was set up on October 1. It requires aircraft wishing to enter this airspace to call on the radio for permission from the Heathrow controllers.

Heathrow then puts the aircraft into the correct position for the approaches to the London City instrument landing system. About four to five miles from touchdown, a telephone call from Heathrow to London City hands final control to the controllers at the new airport. No aircraft can be cleared by the local controllers for take-off without clearance from Heathrow.

This work of air navigation services is provided by the CAA through NATS, under a contract awarded by London City Airport. The contract includes air traffic controllers and air traffic engineers.

The approach radar control unit for London City was installed in the Heathrow Approach Control Room, operating from two specially installed radar consoles. It uses the radar picture obtained from Heathrow's own radar. No new radar detection equipment was installed at the new airport.

Lynton McLain

The operating requirements are exacting, says **Michael Donne**

Stringent conditions set for licensed aircraft

THE ENVIRONMENTAL and operational conditions for the Stolport which were recommended by the public planning inspector, and accepted by the Secretary of State for the Environment in approving the project, are severe.

They lay down that the operational length of the runway does not exceed 762 metres, thereby effectively restricting the types of aircraft that can use the Stolport to those with good short take-off and landing characteristics.

There is actually a total length of concrete of some 1,030 metres, stemming from the provision of what is called an "overlapping runway" - in effect additional areas at each end to ensure that the full 762 metres of operational length is available for use no matter from which direction a short-landing or take-off with the required 7.5 degrees slope is made.

One reason for this is that adequate clearance must be built into the approach and take-off patterns to take account of the proposed nearby East London River Crossing, currently envisaged for the early 1990s as a suspension bridge with tall towers.

Although there is pressure to revise the bridge design to remove the towers, the airport operator cannot guarantee that such a proposal will be accepted, and has to plan on the assumption that the suspension-type bridge may be built.

Except in emergencies, fixed-wing aircraft only will be allowed at the Stolport, which means no helicopter operations other than in emergencies. Nor will there be any club or recreational flying, and all flying must be within the hours of 6.30am and 10pm Mondays to Saturdays, and between 9am and 10pm on Sundays, Bank and Public Holidays.

The number of daily aircraft movements is restricted to 120 on weekdays and 40 on weekends and public holidays, and in any event, not more than 30,160 movements a year will be permitted.

The types of aircraft initially allowed at the Stolport will be those meeting the combined effect of these stringent conditions, especially relating to noise, and having the desired short take-off and landing performance.

This means, at least for the immediate future, the use of the de Havilland Canada DHC-7 (commonly called the Dash Seven) four-engined 50-seat turbo-prop, or the same manufacturer's 20-seat DHC-6 or Twin Otter.

The Twin Otter is noisier in some respects than the Dash Seven, but because some foreign operators may wish to use it (with well over 850 built, it is now one of the most popular light transports in the world), exception is being made for it on the basis that one Twin Otter movement counts as equivalent to 3.68 movements by the quieter Dash Sevens.

The Dash Seven is initially the preferred aircraft of the two airlines currently licensed to use the Stolport - Brymon Airways and Eurocity Express. Each already has two of these aircraft in its fleet, with more to be delivered, and both operators have built up extensive experience with them in readiness for Stolport operations.

Although designed primarily as a 50-seater, Brymon will use it with 48 seats and Eurocity with 44-seat layouts, to provide the higher standards of comfort considered necessary to attract business travellers.

So far, no one has asked to use the Twin Otter, but such applications cannot be ruled out in future.

Clearly, however, major expansion of traffic at the Stolport will be based on the wider use of other types of aircraft in the years ahead, provided these can meet the same stringent noise and short take-off requirements.

The immediate interest in alternatives lies in the West German Dornier D0-228, a twin-engined turbo-prop light transport seating up to 19, and designed especially for utility and commuter-style operations. It is already in extensive service worldwide, with more than 150 delivered.

Recent flight tests for the Civil Aviation Authority showed that it could successfully fly the required 7.5 degrees approach path into the Stolport, and Dornier expects that some airlines will ultimately opt to use the D0-228 there.

Manx Airlines (part of the Airlines of Britain group of which Eurocity Express is also a member) is considering it for a possible service linking the Stolport with Blackpool, while Dornier reports "considerable interest" from airlines throughout Europe. A French airline, Air Vendee, is studying the possibility of a European connection to the Stolport using the D0-228.

Some owners of small executive turbo-props have also expressed interest in using the Stolport. They will be allowed to do so only if their aircraft can meet the strict noise and Stol characteristics laid down, and are strictly employed forbusiness use.

There are a few such aircraft which, skilfully piloted, could meet the requirements. But so far no one has applied and any such aircraft movements would have to fall within the total number of movements permitted.

But even before the Stolport opens for business, there has been discussion of eventually moving up from the turbo-prop Dash Seven into the jet era, using the British Aerospace Type 146 90-seat regional jet airliner, with Eurocity Express in particular showing interest.

Inevitably, the idea is highly contentious, and has already been greeted with concern by residential communities around the Stolport, who argue that such a move would make nonsense of all the claims so far that the airport will be a "good neighbour."

Although the 146 is one of the quietest jet airliners now flying, and has demonstrated good short take-off and landing characteristics, any use of it at the Stolport would be acceptable only if it can meet the stringent noise rules already laid down. To rewrite those rules to allow the 146 in would be bound to create fierce hostility among local environmental groups.

The design of the proposed new East London River Crossingis also significant, for even the 146's undeniable short take-off and landing capabilities would be restricted by a suspension bridge with tall towers.

BAe has said, however, that a revised bridge design without the towers would enable the 146 to use the Stolport with a less demanding 5.5 degrees approach glide-path.

The 146 would also require the addition of some 170 metres of runway concrete over the total of 1,030 metres (including the length of the "overlapping runway") currently available, to a total of 1,199 metres, to enable it to operate into and out the airport. Space for such an extension already exists.

At present, the case for using the 146 appears to be based both on passenger traffic at the Stolport exceeding original expectations, requiring the use of the larger aircraft so as to contain that traffic within the limits for aircraft movements already laid down, and on the possibility of any airline wishing to introduce longer-haul routes than are currently possible with the Dash Sevens.

The benefit to passengers in faster journey times derived from the greater speed of the 146 over the Dash Sevens on the short-haul routes currently planned from the Stolport would be minimal, and would only start to become significant to travellers if longer-haul routes (say, upwards of 400 miles) were flown.

Both - the need for larger aircraft and for longer-range routes - may well become inevitable in the early to mid-1990s, by which time the Stolport will be well established, and a much clearer picture of the pattern of traffic there will be available.

In view of the tight planning controls already being imposed, it seems likely that any request to use the 146 at the Stolport would be the subject of a renewed public planning inquiry - possibly forced by local environmental objectors even if not required by the Government itself - involving a thorough exploration of all the factors involved.

Nevertheless, it remains an option for the future. Mr Ron Bustin, executive director, technical sales, in BAe's civil aircraft division, says that "without jet speeds, the London City Airport will represent a wasted opportunity in the longer term.

"The airport will prove to be a good neighbour with the quiet turbo-prop Dash Seven, but to realise its full potential it will require the higher speed and longer range of turbo-fan (jet) aircraft to compete effectively with Heathrow and other jet services."

Passengers board a Brymon Dash Seven

Roger Taylor

Take-off for the City

Continued from page 1

networks as soon as possible, and expect to have all their licensed routes operational within the next year.

But other fixed-wing short take-off and landing aircraft types could be on the way to the Stolport, such as the West German Dornier 228 twin-engined turbo-prop for short-haul domestic and international services, and the British Aerospace 90-seat 146 jetliner.

One problem that could influence that possibility, and especially use of the 146, despite its low noise volume and undeniable short take-off and landing capability, is the current plan to build a new East London River Crossing by the early 1990s.

As presently envisaged this would be in the form of a suspension bridge with tall towers, crossing the Thames a little downstream from the Stolport.

Neither John Mowlem nor Brymon and Eurocity object to the development of a new river crossing - indeed, they believe that it will enhance the catchment area of the Stolport by making it easier for those living south of the Thames to reach it.

Their concern is over the design of the crossing, and they have suggested that it could be revised to eliminate the towers, without either hindering shipping in the river or increasing costs.

This alternative, which appears to satisfy the Port of London Authority, is now being studied by the inspector who conducted the public planning inquiry into the East London crossing, and whose report is expected some time early next year. The crossing itself will not be in service - to whatever design - until the early 1990s.

By that time the Stolport will have been functioning for some years - time enough for the planning authorities to think again about putting a suspension bridge so close to the threshold approach to an airport runway.

London & Scottish banks' balances

as at September 30 1987

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits. ahead of the more comprehensive banking and money supply figures published *later by the Bank of England*. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	32,281		+ 816	
UK private sector	118,090		+1,238	
UK public sector	4,011		− 16	
Overseas residents	16,061		+ 259	
Certificates of deposit	10,433		− 364	
		180,875		+1,933
of which: Sight		81,869		+3,548
Time (inc. CDs)		99,006		−1,615
Foreign currency deposits:				
UK monetary sector	17,356		− 657	
Other UK residents	8,222		+ 59	
Overseas residents	42,366		− 893	
Certificates of deposit	4,525		− 69	
		72,469		−1,559
Total deposits		253,345		+ 374
Notes in circulation		1,010		+ 13
Other liabilities*		47,077		+3,666
TOTAL LIABILITIES		301,431		+4,053
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	528		0	
Other balances	2,356		− 84	
		2,883		− 84
Market loans:				
Discount houses	4,861		+ 379	
Other UK monetary sector	31,297		− 510	
UK monetary sector CDs	3,935		− 699	
Local authorities	1,103		− 17	
Other	6,138		+ 258	
		47,334		− 489
Bills:				
Treasury bills	373		− 42	
Other bills	4,915		+ 698	
		5,288		+ 657
Investments:				
British Government stocks	5,355		+ 448	
Other	5,299		+ 10	
		10,654		+ 458
Advances:				
UK private sector	122,016		+3,577	
UK public sector	300		− 42	
Overseas residents	6,040		− 88	
		128,356		+3,447
Other sterling assets*		17,877		+1,140
Foreign currencies				
Market loans:				
UK *monetary sector*	17,010		− 560	
Certificates of deposit	402		− 29	
Other	37,659		− 28	
		55,072		− 618
Bills		433		+ 16
Advances:				
UK private sector	8,945		− 273	
UK public sector	765		+ 3	
Overseas residents	15,236		− 287	
		24,947		− 557
Other foreign currency assets*		8,588		+ 83
TOTAL ASSETS		301,431		+4,052
Acceptances		5,285		− 192
Eligible liabilities		136,946		+3,328

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Wstmnstr. £m	Royal Bk. of Scot. £m	Standard Chartered £m	TSB £m
LIABILITIES OUTSTANDING									
Sterling deposits	180,875	6,932	40,899	27,253	29,066	49,726	10,390	3,844	12,744
Change on month	+1,933	+177	−78	+159	+553	+884	−286	+95	+429
Foreign currency deposits	72,469	1,063	13,807	9,024	12,948	22,556	4,324	8,545	201
Change on month	−1,559	+43	−753	−152	+133	−418	−353	−85	+25
Total deposits	253,345	7,996	54,706	36,278	42,035	72,282	14,715	12,389	12,945
Change on month	+374	+219	−831	+7	+686	+467	−638	+10	+454
STERLING ASSETS OUTSTANDING									
Cash and balances with the Bank of England	2,883	239	493	301	517	558	554	28	143
Change on month	−84	−36	+26	+34	−73	−39	−2	+7	−2
Market loans—UK monetary sector	36,157	900	6,671	4,365	5,192	13,567	1,361	1,140	2,961
Change on month	−131	+166	−563	+75	+191	−282	−316	+196	+402
Other	11,176	135	2,854	1,253	1,230	3,158	508	282	1,656
Change on month	−358	−1	−198	−168	+252	−3	−128	−3	−169
Bills	5,288	214	1,245	1,252	252	1,297	414	69	544
Change on month	+657	−10	+125	−50	+170	+447	+58	+5	−88
British Government stocks	5,355	128	1,196	548	830	580	253	208	1,632
Change on month	+448	−47	+137	+12	+226	+15	+6	+3	+86
Advances	128,356	5,959	30,134	19,920	21,784	32,142	8,490	8,286	6,541
Change on month	+3,447	+46	+786	+336	+640	+1,398	+229	−127	+138
FOREIGN CURRENCY ASSETS OUTSTANDING									
Market loans and bills	55,505	504	10,979	7,321	8,057	18,936	3,225	6,158	328
Change on month	−602	+129	−345	+68	+292	−659	+8	−193	+98
Advances	24,947	772	2,676	3,475	6,247	5,006	1,493	3,405	74
Change on month	−557	−45	−123	−51	−55	−99	−286	+108	−6
ACCEPTANCES OUTSTANDING	5,285	211	1,445	323	1,112	1,305	444	238	196
Change on month	−192	−41	−70	−50	−73	+96	−48	−18	+12
ELIGIBLE LIABILITIES OUTSTANDING	136,946	5,897	32,410	21,694	23,196	33,576	8,549	2,597	9,118
Change on month	+3,328	−32	+1,044	+216	+522	+1,195	+294	−94	+184

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 23 1987					THURSDAY OCTOBER 22 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (90)	119.59	−6.5	105.72	111.00	3.56	127.90	114.93	118.72	180.81	99.92	90.12
Austria (16)	96.24	+0.1	85.08	90.22	2.29	96.11	86.36	90.58	102.87	85.53	94.24
Belgium (48)	111.59	−1.7	98.65	104.02	4.54	113.52	102.01	106.25	134.89	96.19	89.34
Canada (129)	106.46	−0.3	94.12	101.30	2.95	106.77	95.94	101.79	141.78	100.00	97.69
Denmark (38)	110.59	+0.0	97.77	103.60	2.83	110.59	99.37	104.58	124.83	98.18	97.97
France (122)	90.99	−0.5	80.44	85.28	3.20	91.41	82.14	86.75	121.82	90.91	96.67
West Germany (93)	87.14	−0.2	77.04	80.93	2.31	87.29	78.44	82.30	104.93	84.00	92.14
Hong Kong (46)	133.19	+0.0	117.75	133.64	3.64	133.25	119.73	133.64	158.68	96.89	89.56
Ireland (14)	123.12	+2.2	108.85	116.78	3.83	120.46	108.23	114.88	160.22	99.50	81.04
Italy (95)	85.14	−1.6	75.27	81.96	2.29	86.52	77.74	84.55	112.11	84.22	103.13
Japan (458)	131.71	−3.8	116.44	118.77	0.57	136.85	122.97	125.09	161.28	100.00	84.60
Malaysia (36)	124.77	−9.6	110.31	121.33	3.00	138.08	124.07	134.38	193.64	98.24	99.96
Mexico (14)	292.74	−0.2	258.80	520.91	0.58	293.28	263.52	520.91	422.59	99.72	82.41
Netherland (37)	102.83	+3.0	90.89	94.31	4.69	99.79	89.66	92.89	131.41	95.89	93.42
New Zealand (23)	104.67	−3.4	92.53	85.51	3.47	108.40	97.40	89.10	138.99	83.93	79.49
Norway (24)	139.21	−0.5	123.07	124.95	2.17	139.97	125.76	126.29	185.01	100.00	102.05
Singapore (27)	108.82	−12.9	96.21	104.57	2.36	124.98	112.30	120.20	174.28	99.29	101.42
South Africa (61)	149.91	−7.8	132.53	113.01	3.71	162.61	146.11	122.60	198.09	100.00	85.75
Spain (43)	145.40	−2.2	128.54	127.50	3.15	148.69	133.60	131.85	168.81	100.00	92.37
Sweden (34)	116.06	+0.6	102.61	108.37	2.09	115.35	103.65	108.99	136.64	90.85	98.91
Switzerland (53)	89.09	+0.4	78.76	81.60	2.00	88.70	79.70	82.79	111.11	88.70	92.19
United Kingdom (335)	124.50	−0.7	110.07	110.07	4.05	125.41	112.68	112.68	162.87	99.65	90.13
USA (583)	101.29	−0.3	89.55	101.29	3.66	101.57	91.26	101.57	137.42	92.83	99.23
Europe (952)	106.12	−0.5	93.82	96.42	3.41	106.62	95.80	98.32	130.02	99.78	92.81
Pacific Basin (680)	130.95	−3.8	115.77	118.51	0.78	136.13	122.31	124.76	158.77	100.00	84.97
Euro-Pacific (1632)	121.07	−2.7	107.03	109.71	1.70	124.37	111.75	114.22	143.65	100.00	88.07
North America (712)	101.57	−0.3	89.79	101.31	3.62	101.85	91.51	101.60	137.55	94.04	99.15
Europe Ex. UK (617)	94.73	−0.2	83.75	88.07	2.87	94.96	85.33	89.50	111.97	93.70	95.21
Pacific Ex. Japan (222)	121.95	−4.4	107.82	115.21	3.51	127.56	114.62	120.54	164.03	99.92	89.73
World Ex. US (1836)	120.97	−2.6	106.94	109.71	1.77	124.25	111.65	114.14	143.38	100.00	88.39
World Ex. UK (2084)	112.25	−2.0	99.24	106.49	2.24	114.50	102.88	109.44	138.82	100.00	92.86
World Ex. So. Af. (2358)	113.10	−1.8	99.98	106.71	2.41	115.15	103.47	109.58	139.47	100.00	92.65
World Ex. Japan (1961)	104.54	−0.6	92.42	100.71	3.54	105.22	94.55	101.91	134.22	100.00	96.46
The World Index (2419)	113.33	−1.8	100.19	106.79	2.42	115.46	103.74	109.71	139.73	100.00	92.61

Base values: Dec 31, 1986 = 100

Hong Kong market suspended.
New Zealand and South African prices were unavailable for October 22. A full update of prices was unavailable for France for October 22.
New York market closed at 14:00 hrs local time October 23.
Constituent changes : The following stocks have been deleted ; United States Sugar (US), and Gold Mines Kalgoorlie (Australia). Name change : AFL Hldgs to Inctec (Australia).

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Nov 87		Feb 88		May 88		
GOLD C	$400	5	74.90	—	—	—	—	$472.20
GOLD C	$520	29	3.30	22	13	20	20.50	"
GOLD P	$400	625	0.20	—	—	—	—	"
GOLD P	$460	5	5.50	20	14	10	14	"
GOLD P	$480	10	18	15	19.50	—	—	"
		Dec. 87		March 88		June 88		
SILVER C	$800	5	49	—	—	3	90	$755
SILVER P	$750	5	40A	—	—	—	—	"
SILVER P	$800	5	90	—	—	—	—	"
		Nov. 87		Dec. 87		Jan. 87		
$/FL C	Fl.200	—	—	3	4.30	—	—	Fl.201.95
$/FL C	Fl.205	27	1.10	10	2.20	—	—	"
$/FL C	Fl.210	—	—	16	0.60	—	—	"
$/FL C	Fl.215	—	—	10	0.20	—	—	"
$/FL P	Fl.190	—	—	30	0.60	—	—	"
$/FL P	Fl.195	21	0.80	2	1.20	6	1.80	"
$/FL P	Fl.200	327	1.50	48	2.50	—	—	"
		Mar. 88		June 88		Sep. 88		
$/FL C	Fl.200	49	5.50	—	—	3	7.30	Fl.201.95
$/FL C	Fl.205	32	3.80A	13	4.80A	—	—	"
$/FL C	Fl.210	6	2.50	18	—	—	—	"
$/FL P	Fl.195	8	3	60	4.50	—	—	"
$/FL P	Fl.200	42	5.50	2	6.50B	—	—	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl.40	347	3.50B	263	4.10	25	5.30	Fl.39
AEGON C	Fl.65	146	5.70	6	7	4	9.50A	Fl.62.50
AGEON P	Fl.60	27	4	1	4	8	4.90	"
AHOLD P	Fl.75	72	5.80	81	6.50B	5	7.50	Fl.72.80
AHOLD C	Fl.86.40	17	3.50B	—	—	—	—	"
AKZO P	Fl.150	585	6.10	79	10	13	11.30	Fl.136
AMEV C	Fl.45	52	5.70	112	6	10	7.50	Fl.47
AMEV P	Fl.60	82	14	33	14.50A	50	15	"
AMRO C	Fl.75	472	2.40	82	3	1	4.20	Fl.64.30
AMRO P	Fl.65	301	5.30	8	7	4	8	"
ELSEVIER C	Fl.55	324	12.50A	50	13	—	—	Fl.44
GIST-BROC. C	Fl.45	157	2.40	12	3.70	—	—	"
GIST-BROC. P	Fl.35	47	1.70	—	—	—	—	"
HOOGOVENS C	Fl.45	295	2	22	3.20	3	3.10	Fl.38
HOOGOVENS P	Fl.45	128	8	169	9.20	—	—	"
KLM C	Fl.40	802	4.30	104	6	20	6.60	Fl.39.30
KLM P	Fl.45	508	8.20	58	8.50	7	10.50	"
NAT NED C	Fl.55	305	5.80	140	7	53	7.20	Fl.56.50
NAT NED P	Fl.75	278	20.50	7	20.50A	219	20.50	"
PHILIPS C	Fl.45	1317	3	294	4.50	64	5.40	Fl.41.20
PHILIPS P	Fl.55	674	14.50	26	16	49	16	"
ROYAL DUTCH C	Fl.230	373	13	64	18.50	6	21	Fl.223
ROBECO C	Fl.95	33	7.30	—	—	—	—	Fl.92.50
ROBECO P	Fl.90	138	5.50	6	8	—	—	"

TOTAL VOLUME IN CONTRACTS: 58,735
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	9½
Adam & Company	10	Citibank NA	9½	NatWestminster	9½
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	9½
Allied Dunbar & Co	10	Clydesdale Bank	9½	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	9½	Consolidated Cred	9½	Provincial Trust Ltd	11
Amro Bank	9½	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	9½
Associates Cap Corp	10	Equat'r'l TstC'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd.	10	Smith Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	9½
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	9½
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	9½	United Bk of Kuwait	9½
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	9½
Bank of Ireland	10	Girobank	9½	Unity Trust PLC	9½
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	9½	● Guinness Mahon	10	Westpac Bank Corp	9½
Banque Belge Ltd	10	HFC Trust & Savings	9½	Whiteaway Laidlaw	10½
Barclays Bank	9½	● Hambro Bank	10	Yorkshire Bank	9½
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	9½	Hongkong & Shangh	9½		
Brown Shipley	10	Lloyds Bank	9½		
Business Mtge Tst	10	Meghraj & Sons Ltd	9½		
CL Bank Nederland	10	Midland Bank	9½		
Canada Permanent	10	● Morgan Grenfell	9½		
Cayzer Ltd	10	Mt Credit Cpn Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Sawwise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§130	F.P.	20/11	170	130	Alba 10p	130	−8	L3.8	2.2	2.9	18.4
§61	F.P.	—	96	63	‡Amer Plast.Inc. $0.01	63	−5	R02.5c	4.6	2.4	8.9
175	F.P.	6/11	240	190	Anglo Leasing 10p	190	−20	L2.5	1.9	1.9	13.8
**	F.P.	23/10	27	21	Atlantic Assets Wrnts	21	......	—	—	—	—
§105	F.P.	6/11	160	110	‡Banner Homes 10p	126	−2	R2.6	2.9	2.8	16.5
§100	F.P.	—	182	115	Butte Mining 10p	120	......	—	—	—	—
70.3	F.P.	—	73	65	CDFC Trust 10p	69	......	—	—	—	—
50	F.P.	9/9	111	58	@Corp. Estates Prop.5p	70	−3	L0.75	2.4	1.5	38.2
§106	F.P.	—	160	128	‡Dolphin Pack 5p	135	......	L2.0	3.5	2.0	19.1
10	F.P.	11/12	14¼	8	EFM Dragon Trust 5p.	8½	−1	—	—	—	—
‖‖	F.P.	—	268	253	English & Caledonian Inv	258	......	—	—	—	—
32	F.P.	30/10	50	32	‡Explaura 5p	33½	−1	—	—	—	—
**	F.P.	—	67	44	First Spanish I. T. Wrnts	43	+1	—	—	—	—
**	F.P.	23/10	23	17	Independent Inv. Wrnts	17	......	—	—	—	—
§80	F.P.	—	148	110	ISA Intl. 5p	110	−3	R1.17	4.0	1.5	23.4
§60	F.P.	—	82	70	*Kemp (P.E.) 5p	70	......	—	—	—	13.2
§170	F.P.	—	191	180	Lloyd Thompson 5p	180	−8	L4.3	2.1	3.3	19.6
§115	F.P.	—	128	100	‡Marcol 5p	100	−8	L2.3	2.1	3.2	21.2
257	F.P.	—	98	55	Moorgate Inv. Warr.	70	......	—	—	—	—
§100	F.P.	—	108	103	New Guernsey Securities	103	......	—	—	—	—
$10.58	F.P.	—	$21¼	$14	Portugal Fund $0.01	$14	......	—	—	—	—
§123	F.P.	—	111	97	Power Corp. Ir. £0.01	97	−3	Q36.9	2.5	3.5	12.7
§88	F.P.	—	90	86	Record Hldgs 5p	88	......	R2.0	3.2	3.1	13.9
130	F.P.	20/11	253	180	Security Archives 20p	210	−10	R4.0	2.0	2.6	25.7
§180	F.P.	—	180	170	Shaftsbury £1	172	−3	—	—	—	—
250	F.P.	12/12	317	231	‡Stanhope Prop	221	−10	—	—	—	—
§87	F.P.	9/11	98	75	‡URS Intl. $0.01	75	......	R4.75	1.9	3.5	15.0
§60	F.P.	—	93	75	‡WSP Hldgs. 5p	75	......	R1.4	3.0	2.6	17.7
‖‖	F.P.	—	168	135	Zetters Leisure 10p.	138	−1	L1.5	3.7	1.5	25.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
100	F.P.	—	110p	102p	AGB Research 6.21 Cnv. Prf.	99p	−4
100	F.P.	20/11	106½	99	Allied Lond. Props 5¾% Cv.Rd.Pf.	99	......
100	F.P.	—	101p	82p	Brit. & Comm. 4¾pc Cm Red Prf	87p	−1
100	F.P.	—	102	93	CDFC Trust 6½pc Cv 2010	99	......
100p	F.P.	—	102p	94p	Chesterfield Props 5¼pc Cr. Cm. Prf.	94p	−2
100	£10	21/1	11¼	10¾	Chester Wtr Wks 11½pc Rd Db '98-2000	11¼	......
¶¶	F.P.	—	145p	105p	Merlin Intl. Com. Red. Cnv. Prf.	105p	−20
§100	F.P.	—	129p	101p	Morrison (Wm) 5¼pc Cm Rd Pf	123p	......
—	F.P.	—	100 3/32	99¾	N'wide Anglia 10 1/32 pc. 12.9.88	100 3/32	+1/32
—	F.P.	—	100¼	99¾	Do. 10⅝ pc 26.9.88	100¼	+⅛
§	F.P.	—	109½	99½	Next 5¾% Cnv. 2003	100¼	+¼
100p	F.P.	—	113p	100p	‡Randsworth Tst. 7% Conv. Cm. Red. Prf.	96p	......
§100	F.P.	—	113p	113p	Record Hldgs 10% Cm Rd Pf £1	113p	......

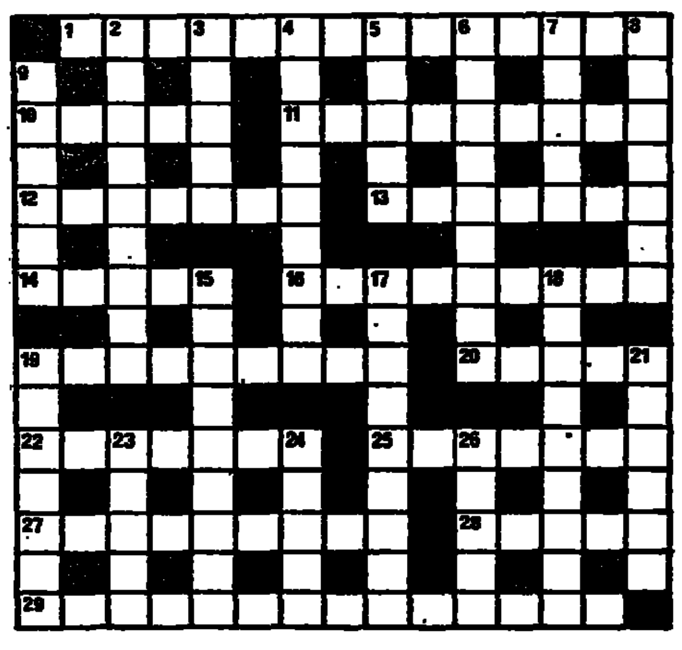
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
500	Nil	—	263pm	125pm	A. C. Hldgs 5p	125pm	−100
213	Nil	—	28pm	8pm	Birmingham Mint	8pm	......
159	Nil	2/12	14pm	½pm	Cowie (T.) 5p	2pm	+½
310	Nil	2/12	43pm	3pm	Heywood Williams	3pm	−1
265	Nil	4/11	34pm	2pm	‡Hunter Saphir	2pm	−3
450	Nil	4/12	140pm	5pm	Kleinwort Benson, L.	5pm	−3
370	Nil	27/11	81pm	10pm	Ladbroke 10p	10pm	−1
70	Nil	11/12	9pm	3pm	Lanca 2½p	5pm	−2
385	Nil	—	43pm	5pm	Lilleshall	5pm	−8
735	Nil	—	65pm	10pm	‡Local London	15¼pm	−7¾
145	Nil	13/11	14pm	1pm	Martin (A) 20p	2pm	......
45	Nil	18/11	18pm	3pm	‡New England Props. 5p	3pm	......
200	Nil	25/11	167pm	45pm	‡Pacific Sales 10p	60pm	−20
380	Nil	—	40pm	6pm	Peachey Prop	6pm	−7
80	Nil	—	460pm	300pm	Press Tools	345pm	−10
55	Nil	14/11	11pm	1½pm	Publishing Hldgs 5p	2½pm	......
136	Nil	20/11	48pm	41pm	‡Quarto	41pm	......
400	Nil	20/11	86pm	15pm	Sketchley	16pm	......
30	Nil	—	5pm	2pm	Stonehill Hldgs	2pm	......
150	Nil	4/11	40pm	25pm	‡Tribble Harris	31pm	−2
270	Nil	5/11	33pm	4pm	Wace Group 20p	5pm	......
115	Nil	—	30pm	6pm	Warringtons	6pm	......
40	Nil	30/11	73pm	39pm	‡Williams (Rex) 5p.	39pm	−7

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. q Earnings based on preliminary figures. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▪ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. § Placing and offer for sale price. * Third Market. † Issued in £2 Units comprising 2 Ord Shares & 1 Warrant. (Exerciseable at 50p into 1 Ord.) @With warrants

FT CROSSWORD PUZZLE No. 6,465

PROTEUS



ACROSS

1 Fraternal musicians at Agincourt? (4,2,8)
10 Aim to travel by rail (5)
11 Abominated flower packed in a case. (9)
12 Held out and finished going round old city. (7)
13 Warning former politician about drink. (7)
14 Take care—it is said explosives have been laid! (5)
16 Temperate sailor can throw nets out. (9)
19 Hardly ever put on lingerie perhaps. (9)
20 What happens in horse-riding competition. (5)
22 Very hot and dry? Cut out central heating. (7)
25 Edible pottery. (7)
27 Set about task of finding tune 24 composed. (9)
28 Make one piece of equipment with a point at the end. (5)
29 Fail comprehensivey to express universal disgust. (4,10)

DOWN

2 Deserted profligate. (9)
3 One who eats some food in error. (5)
4 Bird needing to catch food. (9)
5 Bird seen about the night before. (5)
6 Avert revolution by changing ideas. (4,5)
7 Put legal hindrance on Eastern capital returning trophies. (5)
8 Most grave, a doctor of divinity in novel Tess (7)
9 Master tricky current. (6)
15 One of undisclosed ability unacceptable for light cavalry? (4,5)
17 Bashful about several games in the bushes. (9)
18 Skill in carrying out capital punishment. (9)
19 Remove lead from fruit in suspect bun. (7)
21 Sway like an adder. (6)
23 Went on horseback round assembly of cattle. (5)
24 Sailor's bird. (5)
26 Windy noise ma' bv pig. (5).

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

Gilt	87.8	88.8		7.59
(Accum Units)	100.4	104.9		7.59
Global Fund	45.3	47.9		0.66
(Accum Units)	45.3	47.9		0.66
High Income Fund	47.0	48.3		5.15
Accum Units	49.7	51.0		5.15
High Interest Fund	43.0	45.5		9.47
(Accum Units)	44.4	46.9		9.47
Income	109.3	115.6		3.24
(Accum Units)	126.3	133.6		3.24
International	269.7	285.3		1.29
(Accum Units)	338.1	357.7		1.29
Japan	188.9	199.8		0.93
(Accum Units)	194.0	205.2		0.93
Pacific Fund				0.10
(Accum Units)				0.10
Recovery	302.3	309.3		1.29
(Accum Units)	320.1	338.7		1.29
UK Smaller Co's Fund	51.2	54.1		1.84
(Accum Units)	51.6	54.6		1.84

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Oct 14	580.5	589.2	—	1.41

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	55.5	59.0	-2.7	5.08
Accum Units	56.1	59.6	-2.8	5.03
UK Growth Fund Acc	53.3	56.6	-2.8	1.77
Global Income Fund	45.7	48.6	-0.8	4.12
Accum Units	45.7	48.6	-0.8	4.12
Global Growth Fund	39.7	42.2	-2.5	0.59

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	105.9	112.4	-7.5	1.37
(Accum Units)	146.5	155.5	-10.2	1.37
Commodity & Gen.	159.1	168.9	-7.8	1.60
(Accum Units)	227.2	241.1	-11.2	1.60
European Growth	115.5	122.6	-3.3	1.13
(Accum Units)	139.3	147.9	-4.3	1.13
Extra High Inc	66.9	71.0	-1.9	7.02
(Accum Units)	83.2	88.3	-2.3	7.02
Gilt & Fxd. Int.	51.4	53.7	—	8.70
(Accum Units)	91.3	95.4	—	8.70
High Yield	193.1	204.9	-8.6	4.73
(Accum Units)	341.5	362.4	-15.3	4.73
Income	204.2	216.7	-12.9	3.43
(Accum Units)	346.4	367.6	-21.0	3.43
Intl High St UT	49.1	52.2	-2.7	2.25
Do. Accum	49.1	52.2	-2.7	2.25
Japan and Pacific	292.1	310.0	-6.3	0.12
(Accum Units)	306.8	325.6	-6.6	0.12
Managed Portfolio Acc	59.6	63.1	-2.3	1.44
North American	100.2	106.4	—	1.49
(Accum Units)	121.2	128.8	—	1.49
Smaller Cos.	189.0	200.6	-8.5	1.19
(Accum Units)	204.7	217.2	-9.2	1.12

[illegible]

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London. EC2R 6BA 01-588 3963

PM Equity Growth	109.6	116.6	1.08
PM Income and Growth	95.1	101.2	3.26
PM N American Growth	45.4	48.2	0.41
PM European Growth	47.6	50.6	0.62
PM Japan Growth	65.8	69.9	0.30
PM Overseas Growth	47.7	50.7	0.50

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford. Essex IG1 2DL 01-478 3377
Holborn Link Line 0800 010345

Holborn Comm Tst	66.2	71.1	-1.9	0.49
Holborn Equity Income	65.0	69.8	-0.2	3.69
Holborn Equity Tst	467.9	500.6	-30.8	2.70
Holborn European Tst	100.9	107.9	-7.6	0.77
Holborn High Inc Tst	80.8	86.8	+0.7	4.97
Holborn Intl Grth Tst	96.8	104.0	-4.6	0.84
Holborn Intl Sm Co	40.9	43.9	-1.4	0.05
Holborn Japanese Tst	118.8	127.1	-2.9	0.05
Holborn N Amer Tst	66.9	73.9	-3.5	0.66
Holborn Premier Inc	42.2	45.1	+0.6	2.10
Holborn Sm Cos Tst	70.5	75.8	+0.4	1.58
Holborn Spec Sits Tst	82.2	88.3	-5.7	1.65
Holborn UK Growth Tst	90.4	97.1	-3.0	1.93

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	692.8	733.2	...	1.33
Quadrant Income	353.9	374.6	...	3.53
Quadrant Intl. Fund	461.1	488.0	...	1.03
Quadrant Spec. Sits	495.4	524.3	...	1.11

Reliance Unit Mgrs. Ltd
Reliance House Tunbridge Wells, Kent 0892 510033

British Life	198.1	210.7	-8.1	2.86
Reliance Unit Tst (Inc)	149.0	158.4	-1.0	1.66
Reliance Ut Tst (Acc)	201.7	214.5	-0.8	1.66

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	39.0	42.0	...	—

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	240.4	255.7	-12.0	0.90
NC America (Acc)	265.5	282.4	-13.2	0.90
NC Inc Fd	108.4	115.3	-6.1	4.04
NC Japan Fd.	185.3	197.1	-11.7	0.00
NC Major UK Cos Fd	58.0	61.6	-3.2	2.21
NC Smllr Australasian	81.2	86.3	-2.7	0.69
NC Smllr Canadian CoFd.	43.1	45.8	-2.3	1.18
NC Smaller Cos.	226.4	240.8	-10.2	1.19
NC Smaller European	176.0	187.2	-6.0	0.45
NC Prop.*	162.1	177.2	—	

*Unauthorised Unit Trusts

Royal Bank of Canada Fds.

[illegible]

Standard Life Trust Mngt. Ltd
3 George St, Edinburgh EH2 2XZ

Managed Acc	25.6
UK Equity Growth Acc	30.2
UK Equity High Inc Inc	30.6
UK Equity General Acc.	31.4
UK Equity General Inc	27.4
UK Larger Company's Acc	205.8
UK Larger Company's Inc	191.2
Gilt and Fixed Int Inc	26.0
Overseas Larg Cos Acc	174.0
North American Acc	23.3
Far East Acc	26.4
European Acc	24.7

Stewart Ivory Unit Trust Mngrs Ltd
45 Charlotte Sq, Edinburgh

American Fund	202.8
(Accum. Units)	229.1
(Withdrawal Units)	136.2
American Exempt Oct 16	£342
Australian Fund	176.5
(Accum. Units)	180.2
British Fund	850.2
(Accum. Units)	1195
European Fund	285.7
(Accum. Units)	301.4
Japan Fund	74.1
(Accum. Units)	74.6
Saints PPP Sept 15	236.4

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham

Equity Tst	462.7
North America	53.3
Far East	100.5
Worldwide Bond	45.0
Worldwide Financial	40.8
Worldwide Technology	42.5
European	49.9
Equity Income	67.0

Sun Life of Canada Unit Mgrs Ltd
Basingview, Basingstoke, Hants

UK Income Fund	32.8
UK Growth Fund	30.0
Worldwise Growth Fd.	21.8

Sun Life Trust Mngmt. Ltd
101, Cannon St, London EC4N 5AD
Admin & Enq: 01-606 4044

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Int.	224.7			
Do Accum.	277.7			—
Guaranteed Int.	199.5		—	—
Do. Accum.	197.2		—	—
International Int.	424.6		—	—
Do Accum.	524.3		—	—
Index Lk. Gilt Int.	126.3		—	—
Do. Accum.	136.0		—	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	325.0	+0.9	—
Property Pens.	441.5	+1.4	—
Equity	173.2	+0.0	—
Equity Pens.	750.0	+9.0	—
Money Market	296.6	+2.9	—
Money Mkt. Pens.	535.8	+5.3	—
Deposit	240.7	+0.1	—
Deposit Pens.	386.8	+0.4	—
Managed	273.1	-3.4	—
Managed Pens.	510.4	-6.2	—
Intl. Equity	308.8	-4.6	—
Do. Pens.	473.6	-7.5	—
Intl. Managed	286.3	-2.5	—
Do Pens.	404.8	-2.5	—
North American	114.2	+3.6	—
Do. Pens.	122.4	+5.3	—
Far East	268.3	-3.5	—
Do. Pens.	378.9	-5.6	—
Intnl. Currency	168.4	-0.4	—
Do. Pens.	217.0	-0.8	—
Index Linked	117.4	+1.5	—
S & C Managed Fd.	125.9	+0.9	—
S & C Pens Mngd Fd	98.1	+1.4	—
Bell Chambers	118.2	-1.2	—
Lyran & Lucas	120.7	-2.2	—
Milton Mngd Fnd	158.6	+1.1	—
Trustlink Life Funds			
Per Worldwide Rec.	147.9	+2.9	—
Per Far East Growth	179.1	-11.2	—
Per Intl Growth	143.0	-2.3	—
Per Income	155.4	+5.3	—
Per Emerging Co's.	139.7	-2.9	—
Per American Growth	124.4	-0.2	—
Per European Growth	120.7	-1.0	—
Fra American & Gen	100.8	+2.9	—
Fra Capital	170.9	-7.6	—
Fra Income	175.4	-10.3	—
Fra Intl Growth	117.1	+2.6	—
Fra Japan & Gen	168.9	-17.8	—
Fra Recovery	173.2	-2.2	—
Fra Convertible & Gilt	137.1	-9.3	—
Fra European	122.4	-3.7	—
GAR American	103.7	-0.1	—
GAR European	140.9	+1.7	—
GAR Far Eastern	147.0	-36.5	—
GAR British	156.2	+6.7	—
GAR Global	148.8	-5.7	—
GAR Special Situations	174.6	+1.8	—
GAR Smaller Co's	205.5	+13.7	—
GAR Australian	141.3	-12.1	—
HEN Managed	165.6	+2.5	—
HEN UK Growth	175.7	+1.5	—
HEN UK Income	180.4	+3.5	—
HEN American	115.5	+1.9	—
HEN Far East	176.9	+1.5	—
HEN European	160.9	+9.3	—
HEN Prime Res Prop	100.4	+0.0	—
TSB American	107.3	-1.8	—
TSB General	113.6	-46.2	—
TSB Managed	196.3	-12.7	—
TSB Pacific	171.2	-0.6	—
TSB Selected Opps	166.5	-0.6	—
FID American	98.3	-1.3	—
FID Japan	116.4	-0.9	—
FID European	132.1	+0.2	—
FID UK	131.6	+1.0	—
FID Pacific	129.4	-5.3	—
FID Intl Managed	124.6	-0.4	—
FID Int. Income	109.5	-0.4	—
FID Intl Spec Sits	146.7	+0.7	—

Municipal Life Assurance Ltd

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	50.3	53.0	+2.1	—
Stock Market Mngd Fund	49.1	51.7	-2.6	—
Equity Fund	53.5	56.4	+2.2	—
International Fund	45.3	47.7	+3.4	—
European Fund	50.5	53.2	+4.2	—
North American Fund	38.8	40.9	+4.1	—
Pacific Fund	53.7	56.6	+0.8	—
Property Fund	53.0	55.8	—	—
Fixed Interest Funds	49.4	52.1	+1.6	—
Index linked Sec Fund	45.0	47.4	+0.5	—
Deposit Fund	51.8	54.6	—	—
NUAM Retirement Plans				
Mixed Fund	53.0	55.8	+3.9	—
UK Ordinary Share	61.3	64.6	+4.5	—
International Fund	45.6	48.0	+4.2	—
Property Fund	53.0	55.8	—	—
Fixed Interest Fund	50.4	53.1	-1.5	—
Index Linked Sec Fund	45.1	47.5	+0.2	—
Deposit Fund	53.9	56.8	—	—
NUAM (WF)				
Managed Fund	682.7	718.7	+29.0	—
Equity Fund	1388.9	1462.0	+64.9	—
Property Fund	329.7	347.1	—	—
Fixed Interest Fund	364.2	383.4	+9.9	—
Deposit Fund	211.5	222.7	—	—
International Fund	117.4	123.8	+8.9	—
Index Linked Sec Fund	45.0	47.4	+0.4	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensioninvestor & Unit-Linked Plan				
Fixed Interest Fund	248.7	261.7	—	—
Index-Linked Sec Fund	127.0	133.6	—	—
Ordinary Share Fund	490.5	516.3	—	—
International Fund	117.5	123.6	—	—
Property Fund	164.2	172.8	—	—
Deposit Fund	168.8	177.6	—	—
Mixed Fund	310.3	326.6	—	—
Norwich Union Oct 15		1047.9		

*Prices as at June 30.

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)(z)	158.8	167.2	(z)	—
Prop. Acc. (Gross) (z)	249.1	263.3	(z)	—
Equity (Gross) (z)	669.0	704.2	(z)	—
Managed (Gross) (z)	466.1	490.7	(z)	—
Prop. Acc. (Net) (z)	114.8	120.9	(z)	—
Equity (Net) (z)	153.9	162.0	(z)	—
Managed (Net) (z)	141.9	149.4	(z)	—
International (net) (z)	129.2	130.6	(z)	—
Gilt & Fxd Interest	90.3	95.1	(z)	—
Money Fund	96.5	401.5	(z)	—
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1) (z)	431.8	454.4	(z)	—
Ret Man (Series 2) (z)	146.5	154.2	(z)	—
Ret Cash (z)	116.1	122.2	(z)	—

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	399.0	420.1	—	—
Eb'r Ph. Eq.	388.9	412.3	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	165.9	174.6	+5.1	—
International Acc.	144.6	152.2	-4.9	—
Property Acc.	117.5	123.6	—	—
Fixed Interest Acc.	143.4	150.9	+2.4	—
Money Acc.	126.1	132.7	+0.1	—
Bldg. Soc. Link Acc.	129.8	136.6	+0.1	—
Special Mngd. Acc.	149.7	157.5	+1.5	—
Phoenix/Framlington				
Intnl. Growth Acc.	91.0	95.7	-20.3	—
Amer. & Gen. Acc.	82.4	86.7	-1.4	—
Capital Tst. Acc.	201.5	212.1	-2.6	—
Japan & Gen Acc.	164.5	173.1	-7.2	—
American Turn. Acc.	80.9	85.1	-2.6	—

Provincial Life Assurance Co Ltd(z)
Stramongate, Kendal, Cumbria LA9 4BE 0539 33733

Managed Fd	531.0	559.6	(z)	—
Cash Fd.	210.8	222.2	(z)	—
Property Fund	229.0	241.4	(z)	—
Equity Fund	606.8	639.9	(z)	—
Fxd. Int. Fund	274.1	288.9	(z)	—
International	278.1	293.1	(z)	—
High Income	432.7	456.0	(z)	—
Far East	439.8	462.6	(z)	—
North American	185.2	197.1	(z)	—
Special Sits.	595.1	627.1	(z)	—
Technology	252.0	265.6	(z)	—
Extra Inc Fd.	251.8	265.4	(z)	—
Convertible & Gilt Fd	153.8	162.1	(z)	—
American Income	95.3	101.4	(z)	—
Gilt Fund 20	269.6	286.9	(z)	—
European Fund	96.4	102.6	(z)	—
Managed Pens. Acc.	488.1	513.8	(z)	—
Deposit Pens. Acc.	208.0	218.9	(z)	—
Property Pens. Acc.	220.0	231.6	(z)	—
Fix. Int. Pens. Acc.	315.6	332.2	(z)	—
Equity Pens. Acc.	657.5	692.1	(z)	—
International Pens Acc.	247.5	260.5	(z)	—
High Inc Pens Acc.	430.8	453.5	(z)	—
Tech Pens Acc.	161.7	170.2	(z)	—
N American Pens Acc.	127.4	134.1	(z)	—
Far Eastern Pens Acc.	419.4	441.5	(z)	—
Special Sits Pens Acc.	466.7	491.3	(z)	—
Extra Income Pens Fd.	278.7	293.4	(z)	—
Convertible & Gilt Pen	162.1	170.6	(z)	—
American Inc Pens.	101.1	106.4	(z)	—
European Pens	101.4	106.7	(z)	—
Broker Funds				
KSA Managed Fund	147.4	155.2	(z)	—
McKenna Mngd Fund	147.2	155.0	(z)	—
Acorn Managed Fund	159.1	167.5	(z)	—
Portfolio 2000	152.3	160.4	(z)	—
Allied Anglo Mngd Fd.	125.5	132.2	(z)	—
Brian Foster Mngd. Fds.	129.8	136.7	(z)	—
Arthur Managed	125.2	131.8	(z)	—
Boston Intnl Managed	107.8	113.5	(z)	—
BFP-PR Inv Port	108.3	114.0	(z)	—
Chippendale	97.0	102.2	(z)	—
Da Bara Flexible Ip Bd	93.7	98.7	(z)	—
Hinton Hill W'wide Per	99.3	104.6	(z)	—
Downs Inc & Growth	94.7	99.7	(z)	—
Coventry Inv.	89.4	94.2	(z)	—
EDM Prov Inc Priv Mngd	116.3	122.5	(z)	—
Berkeley St James	87.6	92.3	(z)	—

Royal Heritage Life Assur.—Contd.

City Capital Bond	171.4	180.5	—	—
Birchwood	162.5	171.1	—	—
Stude Investments	134.4	141.5	—	—
Fin. Inv. Planning	158.9	167.3	—	—
Pilling Portfolio Fund	100.5	105.8	—	—
David Aaron Mngd Bd	185.0	194.8	—	—
Invest. Mktg. Services	143.9	151.5	—	—
P W. Intl. Portfolio	195.9	206.3	—	—
Hardwick Inv. Mngt.	137.3	144.6	—	—
The Ivy Growth Fd	121.8	128.3	—	—
Baltic Prem Portfolio	127.3	134.0	—	—
Chilbond	104.8	110.6	—	—
Sterling Cap Growth	119.5	125.8	—	—
Commodity South Fund	82.3	86.7	—	—
Redcliffe Inc & Gth	114.5	120.6	—	—
Gibbs Hartley Mngd Ptf.	120.1	126.5	—	—
Andrews Green Inv Ptf	124.1	130.7	—	—
Stoneleigh Inv Man Bd	178.5	187.9	—	—
Chelsea Inv Port	71.7	75.5	—	—
Derek Gardiner Mng	131.2	138.2	—	—
GLJ Managed Fnd	125.1	131.7	—	—
PEP Inv Port	128.6	135.4	—	—
Western Counties Mng	159.6	168.1	—	—
Saunders French Gth	144.0	151.6	—	—
Bibby & Co Mng Fd	131.1	138.1	—	—
YRA Portfolio	116.4	120.6	—	—
Premier Portfolio Fd	122.8	129.3	—	—
Fosters International	173.9	182.5	—	—
Jardine Mng Gth Fd	122.1	128.6	—	—
The Yates Intnl Fd	126.7	133.4	—	—
International Growth	178.6	188.0	—	—
Minster Fund	216.8	228.3	—	—
MI Fin. Serv.	114.8	120.9	—	—
Richards, Longstaff	117.6	123.8	—	—
Optimum PIP	140.0	147.4	—	—
P.W. W'wide Ops	135.1	142.3	—	—
B.P.S. Bond	183.2	192.7	—	—
Knightsbridge Cap. Fd	114.3	120.4	—	—
Campbell Coss Fd.	114.9	121.0	—	—
Stacey Chiltern Fd	143.7	151.3	—	—
Ethical Invest Fd	156.5	164.8	—	—
Spencer Hov MGD Fd.	203.5	214.0	—	—
H&B Compulrust	110.4	116.3	—	—
Southern Counties Mngt	123.7	130.3	—	—
South Coast Enterprise	148.1	155.9	—	—
CFM Managed Gwth Fd	120.5	126.9	—	—
Heritage Mngd Bond	192.7	202.9	—	—
Pygmalion Mngd Fd.	219.2	230.8	—	—
Lovell Associates	110.6	116.5	—	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

Undated

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1Feb	1Aug	Consols 4pc	41	25.6	9.47	—
1Jun	1Dec	War Loan 3½pc‡‡	36	27.4	9.53	—
1Apr	1Oct	Conv. 3½pc '61 Aft.	48	25.8	7.15	—
5Apr	5Oct	Treas. 3pc '66 Aft.	30	1.9	9.83	—
5Ja Ap Jly Oct		Consols 2½pc	26	1.6	9.63	—
1Apr	1Oct	Treas. 2½pc	26	25.8	9.60	—

Index-Linked

Interest Due		Stock	(b)	Price £	Last xd	(1)	(2)
30 Sep	30 Mar	Treas. 2pc '88	(297.1)	132	24.8	—	—
25 Jul	25 Jan	Do. 2pc '90	(333.9)	134	8.6	2.10	3.04
23Sep	23Mar	Do. 2pc '92‡‡	(385.8)	95	7.8	2.84	
16Mar	16Sep	Do. 2pc '96	(267.9)	121	10.8	4.02	4.39
24Mar	24Sep	Do 2½pc '01	(308.8)	102	18.8	4.41	4.52
20Nov	20May	Do. 2½pc '03	(310.7)	98	13.4	4.42	4.51
19Jan	19Jly	Do. 2pc '06	(274.1)	99	12.6	4.32	4.48
20Nov	20May	Do. 2½pc '09	(310.7)	92	13.4	4.28	4.42
23Feb	23Aug	Do. 2½pc '11	(294.1)	96	7.7	4.25	4.36
16Feb	16Aug	Do. 2½pc '13	(351.9)	80	13.7	4.23	4.31
26Jan	26Jly	Do. 2½pc '16	(322.0)	86	29.6	4.14	4.24
16Oct	16Apr	Do. 2½pc '20	(327.3)	85	9.9	4.07	4.12
17Jan	17Jly	Do. 2½pc '24 ‡‡	(385.3)	72	10.6	4.01	4.03

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for February 1987: 100.4 and for September 1987: 102.4 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Bank Accounts

[illegible]

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 224141
High Int Chq Acc. 9.560 7.29 10.32 Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485
High Int Cheque Acc. 10.00 7.50 10.61 Qtr

NOTES—Gross: rate in those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◇ Yield column shows annualised rates of NAV increase. xd ex dividend.

LONDON SHARE SERVICE

AMERICANS—Continued

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Jan Apr Jly O	Rep NY Corpn $5	25¼	10.9	$1.16	—	2.8
Mar Jun S D	Rockwell Intl. $1	11¾	14.5	66c	—	3.5
Oc Ja Ap Jly	Sara Lee $1	22¼	13.00	$1.00	—	2.8
Mr Ju Se De	Saul (B. F.) $1	10⅞	20.9	20c	—	1.1
Fb My Ag No	Southwestern Bell $1	23¾	7.7	$2.32	—	6.1
—	Staley Continental	13⅞	—	80c	—	3.5
Mr Ju Se De	Sun Co. Inc. $1	31	5.8	$3.00	—	5.9
Ma Ju Se De	TRW Inc. $0.625	26	11.8	$1.60	—	3.7
Mr Jn Sp De	Tenneco $5	25	11.8	$3.04	—	7.5
June Dec	Do. 10pcLn.Stk. 91-5	220	13.00	10%	—	4.7
Mr Je Se De	Texaco $6.25	19¼	31.7	$3.00	—	9.5
Mr Ju Se De	Time Inc. $1	49¼	22.8	$1.00	—	1.2
Ja Ap Jy Oc	Tracor $0.33	19¼	16.9	40c	—	1.3
Ja Ap Ju Oc	Transamerica $1	16¼	30.08	$1.84	—	6.1
Fe My Au No	Transworld Corp $5	912p	11.11	20c	—	1.3
Mr Je Se De	TRINOVA Corp.	15¼	11.8	$1.00	—	4.1
Mr Je Se De	USX $1	16⅝	30.10	$1.20	—	4.4
Ag Nv Fb Je	Union Carbide $1	13	4.9	$1.50	—	7.1
Mr Jn Sp De	Utd. Technologies	22¼	19.5	$1.40	—	3.9
Fb My Ag No	US West	31¼	13.4	$3.28	—	6.4
—	Waste Management $1	22¼	—	—	—	—
—	Whirpool $1.0	£14¼	—	—	—	—
Mr Je Se De	Woolworth $3½	28⅞	19.11	$1.32	—	3.9

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¤ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	88	−1	Fin. 13% 97/02	£109¼	.....
Craig & Rose £1	738	+8	Arnotts	380	.....
Finlay Pkg. 5p	103	−2	CPI Hldgs	75	−5
Holt (Jos) 25p	£111¼xd	.....	Carrol Inds.	155	−5
IoM Stm. £1	315	−30	Dublin Gas	40d	.....
			Hall (R. & H.)	140	−35
			Heiton Hldgs.	60	.....
IRISH			Irish Ropes	210	.....
Fund 11¾% 1988	£100½	+⅛	Norish	340	.....
Nat. 9¾% 84/89	£98⅝	.....	Unidare	360	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp.	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	T&N	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	29
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met.	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	38	Brit Petroleum	32
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds.	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

DIARY DATES

FINANCIAL

TODAY

COMPANY MEETINGS-
Burford Group, Salter's Hall, 4, Fore Street, E.C., 12.00
Eve Construction, Bakers Hall, Harp Lane, E.C., 11.00
BOARD MEETINGS-
Finals:
Inter City Hldgs.
McKechnie
Interims:
Chelsea Artisans
Comac
Forward group
Grand Central Inv
Securities Trust of Scotland
Shell Oil Co.
Underwoods
Usher-Walker
Warburg Currency Fund
Viking Resources Tst.
DIVIDEND & INTEREST PAYMENTS-
Australia (Commonwealth of) 11⅝% Ln. 2015 5$\frac{13}{16}$pc.
Cicurta Electricity Supply RU1.6
Do 7½% Cum Prf RU0 75
General Electric Co 33cts.
Gopeng Berhad 5sen
Hambro Countrywide 0.85p
Hyman 0 75p
Kleinfold Inv. 1 7cts.
Pifco Hldgs 4p
Do A Lim Vtg. 4p
Rolork 3 25p
Royal Bank of Canada Flg Rate Debs 2005 $6 77777
Scottish Eastern Inv Tst. 0 65p
Toronto-Dominion Bank 23cts
Wells Fargo Flg Rate Sub Nts 2000 $68 33

TOMORROW

COMPANY MEETINGS-
Sinclair Goldsmith, Howard Hotel, Temple Place, Strand, W.C., 12.00
BOARD MEETINGS-
Finals:
Japan Assets Trust
Majedie Invs
Microfilm Reprographics
Portland Group
Pressac Hldgs
Really Useful
Interims:
Brown (N.) Group
Toshiba Hldgs
DIVIDEND & INTEREST PAYMENTS-
Camellia Invs. 7p
Exchequer 13¼% 1994 6⅝pc.
Exchequer 15% 1997 7½pc
Harrons group 0 61p
Inch Kenneth Kajang Rubber 3p
MTM 1p
National Westminster Finance Gtd Flg. Rate Cap Nts 1992 $187.45
Sanderson Murray & Elder 5p
Tronoh Mines 7sen
Ultramar 2.3p

WEDNESDAY OCTOBER 28

COMPANY MEETINGS-
Continental Microwave, 1, Crawley Green Road, Luton, Bedfordshire, 12.00
Harvey & Thompson, 2, Marrow Street, S.E., 11.00
Sigmex Intl., Butchers Hall, Bartholomew Close, E.C., 12.00
Space Planning Services, Brewers Hall, Aldermanbury Square, E.C., 4.00
TI Group, Dartmouth House, 37, Charles Street, Berkeley Square, W., 2.30
Westpool Inv. Tst., Carlton House, 33, Robert Adam Street, W. 3.00
BOARD MEETINGS-
Finals:
Union Carbide
Interims:
Anglo American Coal
Chesterfield Properties
Cundell
El Oro Mining & Expln.
Elliot (B.)
English National Inv
Exploration Co
FR Group
Marks & Spencer
PCT Group
Rockware
Shiloh
Stormgard
WA Hldgs.
DIVIDEND & INTEREST PAYMENTS-
Allied Irish Banks Sub. Prim. Cap. Perp. FRN $193.26
BPP Hldgs 2.6p
Bank of Nova Scotia 18cts.
Boddington Group 1 47p
Brasway 0 85p
Canadian Imperial Bank of Commerce 27cts
Canadian Pacific 15cts.
Desoutter Bros 2.7p
Epwin Group 1 6p
Goodhead Print Group 2.5p
Morgan Grenfell 3 85p
Murray Income Trust 4.2p
Orchid Tech 0.5cts
Wyevale Garden Centres 0 73p

THURSDAY OCTOBER 29

COMPANY MEETINGS-
CALA, 42, Colinton Road, Edinburgh, 9.45
Gabicci, Gabicci House, Humber Road, N.W., 4.00
Jos Hldgs., 20, Fenchurch Street, E.C., 12.30
Optical & Medical Intl., 2, Lowndes Place, S.W., 12.00
Peachey Property, 19, Sloane Street, S.W., 12.00
St. David's Inv. Tst., Queens Chambers, 2, North Street, Newport, Gwent, 11.00
Sound Diffusion, Brighton Centre, Kings Road, Brighton, 2.15
Sumrie Clothes, 1, Great Cumberland Place, W., 11.00
Tor Inv. Tst., Dragon Hotel, The Kingsway, Swansea, 2.30
BOARD MEETINGS-
Finals:
Brikat
Cooper (Frederick)
Smart (J.) & Co
Tysons (Contractors)
Interims:
Airflow Streamlines
Burtonwood Brewery
Blackett Hutton
Capital Gearing Trust
Clarkson (Horace)
PLM
DIVIDEND & INTEREST PAYMENTS-
APV Baker 8p
Ashtead Group 2p
Bank of Montreal Flg Rate Debs. Sers. 9 1996 $183.68
Bredero Props. 1.7p
Candover Investments 3p
Davis (Godfrey) Hldgs 2.1p
F & H Group 3.17p
Grupo Industrial Saltillo Flg. Rate Nts. 1988 $228.75
Jacobs (John I.) 1.5p
Nobo Group 3 25p
Optical & Medical Intl 2.76p
Palmerston Inv. Tst. 8p
Ryan Hotels 0 5p
St David's Inv Tst 4 6p
Schroders 6p
Do. Non-Vtg 6p
Watsham's 2.76p

FRIDAY OCTOBER 30

COMPANY MEETINGS-
De Breit (Andre), Great Eastern Hotel, Liverpool Street, E.C., 11.00
Seville Gordon, National Motorcycle Museum, Coventry Road, Bickenhall, Solihull, 12.00
BOARD MEETINGS-
Finals:
BM Group
Fundinvest
Nat. Home Loans
Interims:
Anglo Eastern Plants.
Central & Sheerwood
Clayton, Son
Eastern Produce
Hopkinsons
R.E.A. Hldgs.
Royal Trust Yen Bond Fund
Thomson Organisation
DIVIDEND & INTEREST PAYMENTS-
Alumasc Group 5p
Astra Hldgs 0.25p
Babcock Nederland 7% Cnv Gtd. Bds. 1992 3½pc.
Bank of Montreal Flg Rate Debs Sers 6 1991 $381 25
Bank of Nova Scotia Flg Rate Debs. 2000 £236.22
Barker (Charles) 1 1p
Barr & Wallace Arnold Tst. 3p
Do. A (NVtg.) 3p
Bilston & Battersea Enamels 1 5p
Breedon 2p
British Mohair Hldgs. 1 4p
CALA 1.5p
Capital & Regional Props. 0.1p
Centreway Inds 0 5p
Citicorp Banking Corp Gtd. Flg. Rate Sub. Cap. Nts 30/1/1997 $180 1
Do. Gtd. Flg. Rate Sub Cap Nts. 30/10/1996 $180.1
City & Foreign Hldgs 2.92p
Computer People 1 2p
Cons Plants. Berhad M$0 05
Corporate Estates Properties 0.3p
County Properties 8 1 8p
Dow Chemical 0 55cts.
Dundee & London Inv. Tst 5% Cum Prf 1 75p
Edinburgh Financial Tst 0.1p
El Oro Mining & Expln 5p
Electron House 2.1p
Epicure Hldgs. 0.25p
Estates Property Inv 6p
Ewart New Northern 1 2p
Exploration Co 2.5p
Finland (Republic of) Flg Rate Nts. 1990 $357 26
First Leisure 3p
Fitch & Co 2.5p
GC Flooring & Furnishings 1.65p
G.T. Japan Inv. Tst. 1.3p
Halifax Bldg. Society Flg. Rate Ln. Nts. 1996 (Sers. A) $41 94
Hasbro Inc 22.5cts.
Haynes Publishing 9p
Howdon group 7⅛% Deb. 1986/91 3⅞pc.
Do 8¼% Deb. 1988/91 4⅛pc.
Huntleigh Technology 0.5p
Italy (Republic of) Flg. Rate Nts. 2005 $64.06
Laing (John) 2p
Do A N/Vtg. 2p
Lowe's 11cts.
Lyon & Lyon 1.5p
Marks & Spencer 10% Cum. Prf. 3.5p
Marley 1.65p
Matthews (Bernard) 0 625p
Mayborn Group 1 2p
Merchants Trust 2 52p
Metalrax Group 0 8p
Nichols (J.N.) (Vimto) 3 15p
Nippon Seiko 6½% Cnv. Bds. 1996 3¼pc.
Norfolk Capital Group 0.15p
Nova Scotia (Province of) 16⅞% Ln 2011 8$\frac{7}{16}$pc.
Nurdin & Peacock 1 6p
Oliver (George)(Footwear) 2.2p
Do A N/Vtg. 2 2p
Peachey Property 8.25p
Peel Hldgs 10% Cum Prf. 2 5p
Do 9⅞% 1st. Mtg. Deb. 2011 4$\frac{15}{16}$pc
Do New 9⅞% 1st. Mtg Deb 2011 3 091pc
Personal Computers 2 4p
Pickwick Group 0 8p
Ricardo Consulting Engineers 3.25p
Sale Tilney 4p
Saville Gordon 1 96p
Sharpe & Fisher 1p
Svensk Exportkredit Flg Rate Nts 1990 $362.99
Tibbett & Britten 1 5p
Tip Top Drugstores 1 2p
Trent Hldgs 0.69p
Trinity Intl. Hldgs. 7p
USF & G Corpn 62cts.
Wales City of London Properties 0 77p
Waterford Glass (Rts.) 1.2p
Do (Inc.) 1 2p
Wells Fargo Flg. Rate Sub. Nts. 1992 $64 38
Wells Fargo Intl Financing Corp Gtd.-Flg. Rate Sub Nts. 1996 $54 93
Wyndham Group 1.2p

SATURDAY OCTOBER 31

DIVIDEND & INTEREST PAYMENTS-
Alexon Group 5% Cum. Prf. 1.75p
Bankers Inv. Tst. 10½% Deb. 2016
Batleys 10% Cum Prf 5p
Blackwood Hodge 6% Cum. Prf. 2.1p
British-American Tobacco 6% 2nd. Cum Prf 2 1p
Brixton Estate 6¼% 1st. Mtg Deb. 1986/91 3⅛pc
Brown & Tawse 7% Cum. Prf 2 45p
Burman Oil 6% Cum 1st. Prf. 2.1p
Do. 6% *Cum 2nd Prf 2.1p*
Do 8% Cum Prf. 2.8p
Do 7¼% Cum Red Prf. 2.5375p
Campbell Soup 36cts
Clark (Matthew) 7% Cum Red Prf 2.45p
Cookson Group 7% Prf. 1 225p
Cowan, de Groot 10½% Cum. Prf. 2.25p
Dean & Bowes 1 5p
E.R.F. 10% Cum Prf 5p
Egoli Cons. Mines 7 5cts
Ellis & Everard 7¼% Deb 1987/92 3⅝pc.
English Electric 6¼% Deb. 1984/89 3⅛pc.
English Property 9⅞% 1st. Mtg. Deb 1997/2002 4$\frac{15}{16}$pc
Evans of Leeds 11% 1st. Mtg. Deb 2025 5½pc
First National Finance Corp 10% Sub Un. Ln 1992 5pc
Fisons 6½% Deb. 1984/89 3¼pc.
Foreign & Colonial Inv. Tst. 7% Un. Ln. 1988/93 3½pc.
Garton Engineering 8½% Cnv. Gtd. Un Ln. 1993/97 4¼pc.
Guildhall Property 6% Cum Prf. 2.1p
Heavitree Brewery 11½% Cum Prf 5 75p
Heywood Williams 8% Cum Prf. 2.8p
Hudsons Bay 15cts.
Insilco 25cts.
Jackson (William) 7½% Cum Prf. 2 625p
Johnson, Matthey 8½% Mtg Deb. 1985/95 4¼pc
Kleinwort, Benson Intl Income Bd. Fd. Ptg. Red. Prf Inc. 16 75p
Latham (James) 8% Cum Prf. 4p
Lodge Care 0 5p
Do 7½% Cum Cnv Red Prf 1991/96 3 75p
London American Ventures Tst. 3½% Deb Red. 1¾pc
Do 4% Deb red. 2pc.
London Merchant Securities 7¾% Cnv Un Ln. 2000/05 3⅞pc.
London Shop Property Tst 3 85% Cum. Prf. 1 925p
Do 12.5% 1st. Mtg. Deb 2015/20 6 25pc
Do 11.625% 1st. Mtg. Deb 2018 5 8125pc.
Do 10% 1st Mtg. Deb 2026 5pc.
Do 9% Cnv Un *Ln.* 1994/99 4½pc
Do 9.25% Cnv. Un. Ln. 1999/2004 4 625pc.
Lowe (Robert H.) 6½% 1st. Cum Prf. 2.275p
McAlpine (Alfred) 9% Cum Prf 4 5p
Macarthys (London) 7½% Un. Ln 1986/91 3¾pc.
Do 7¾% Un Ln 1986/91 3⅞pc.
Marley 6½% Deb 1983/88 3¼pc.
Metal Closures 6% Cum. Prf 2.1p
Millor, Raynor & Haysom 10% Cum Prf. 1 3125p
Newarthill 8¼% Cum. Prf. 2.8875p
PHH Group 27cts
Parkfield Group 7% Cum. Cnv. Red. Prf 3 5p
Portsmouth & Sunderland Newspapers 8% Prf. 2 8p
Do 10.5% 2nd. Cum. Prf 5.25p
Racal Electronics 7% Cnv Un. Ln. 2009/14 3½pc.
Rank Org 10⅞% Un. Ln. 1997/2002 5$\frac{7}{16}$pc.
Ranks Hovis McDougall 6⅛% Un. Ln 1985/88 3$\frac{1}{16}$pc.
River & Mercantile Tst. 1.3p
Do. Stepped Prf 2.1p
Scottish & Newcastle Breweries 5½% Cum. Prf. 1.925p
Do 7¾% Cum. Prf.
Do 6% 1st. Mtg. Deb. 1984/89 3pc.
Do 6¾% 1st. Mtg. Deb. 1985/90 3⅜pc.
Do. 7¼% 1st. Mtg Deb. 1989/94 3⅝pc.
Scottish Inv. Tst. 4¼% Perp. Deb. 2⅛pc.
Do. 4% Perp Deb 2pc.
Do. 5% Perp Deb. 2½pc.
Seagram Distillers 12⅝% Deb 2012 6$\frac{5}{16}$pc.
Shaw Carpets 8½% Deb 1988/93 4¼pc.
Southern California Edison 59.5cts.
TR City of London Tst 10¼% Deb. 2020 2.4158p
Tate & Lyle 13½% Cnv. Un. Ln. 1994/99 6.74315pc.
Television South 10% Sub. Cnv. Un. Ln. 1997 5pc
Triplevest 7 471p
Trusthouse Forte 6.25% 1st. Mtg. Deb. 1984/89 3.125pc
Do. 6.25% 1st. Mtg. Deb. 1985/90 3.125pc.
Do 7.25% 1st. Mtg. Deb. 1986/91 3.625pc.
Do. 10.5% Mtg. Deb 1991/96 5 25pc.
Do. 9.1% Un. Ln. 1995/2000 4.55pc
Vaux Group 4½% A Cum. Prf. 1.575p
Do 6½% A Cum. Prf. 2.275p
Do 7% Cum. Prf 2.45p
Westminster & *Country Properties 8% Un. Ln.* 1989/94 4pc.
Westpool Inv. Tst. 5% Cnv. Un. Ln. 1989/94 2½pc
Whittingham (William) 8% Un. Ln. 1992/97 4pc.

SUNDAY NOVEMBER 1

DIVIDEND & INTEREST PAYMENTS-
Accord Publications 0.8p
BET 4½% 2nd Deb 2¼pc
Bassett Foods 7½% Cum. Prf. 2.625p
Bristol Corpn Deb. (3½%) 1¾pc.
British Inv. Tst 5¼% Prf 1.8375p
British Shoe Corpn 6½% Cum. 3rd Prf. 2.275p
Daniell & Sons Breweries 4½% 2nd. Perp. Mtg. B Deb. 1896 2¼pc.
Dublin Port & Docks Board 4% Red. 1975/95 2pc.
ELF UK 12¼% Un. Ln. 1991 (Reg.) 6⅛pc.
Do (Br.) 6⅛pc.
Ferranti 3.85% 3rd. Cum. Prf 1 925p
Genfinance 11.31% Ln. 2007 (Reg.) 5 655pc.
Do. (Br.) 5 655pc.
Glaxo 7¾% Un. Ln 1985/95 3⅞pc.
Gossard 5½% Cum Red Prf 1 925p
Govett Atlantic Inv. Tst 5% 1st Deb. 1985/90 2½pc.
Guaranteed N. Ireland 4½% Bds 2¼pc.
Hardys & Hansons 5% 1st Cum Prf 1 75p
Intl. Stock Exchange of UK & Republic of Ireland 10⅛% Mtg Deb. 2016 5$\frac{1}{16}$pc
King & Shaxson 5% Cum. Prf 1 75p
Lewis (John) Properties 8½% Mtg. deb 1993/98 4¼pc
Londonderry Port 3½% Cons 1¾pc.
M. & G. Extra Yield Fd. 5 03p
Marshalls Halifax 10% Cum Prf 5p
Merchants Tst. 4% Perp. Deb. 2pc
Mid-Southern Water 10% Red. Deb 1995/98 5pc
Newman Inds. 10% Cum Prf. (Rest Rights) 5p
Do 10¼% Cum. Prf. (Rest. Rights) 5.125p
Nicor 45cts.
Norwich Corpn. 3% Red 1½pc.
Nottingham Corpn. 3% 1½pc.
Parkland Textile 3 15% Cum Prf 1.575p
Pentos 4½% Cum Prf. 1.575p
Platignum 6% Cum Prf. 10 5p
RPH 3½% Deb. 1983/88 1¾pc.
Do 6½% Deb 1983/88 3¼pc
Ratcliffs (Great Bridge) 0 5p
Reading Corpn. 3½% 1978 1¾pc
Reckitt & Colman 6¾% Deb. 1985/90 3⅜pc
Scottish Agricultural Security Corp 3½% Deb 1983/93 1¾pc.
Do. 13% Deb. 1997/99 6½pc.
Scottish Inv. Tst. 3.5% Cum. Prf. 1.75p
Do 3 85% Cum Prf. 1 925p
Do. 4.55% Cum. A Prf. 2.275p
TR Pacific Basin Inv. Tst 4½% Perp Deb 2¼pc.
Trebble Harris 1.6cts.
Trefus 20% Cum. Prf. 1 75p
Watney, Mann & Truman 5½% Un. Ln 2¾pc.
Do 8⅛% Un Ln. 4$\frac{1}{16}$pc
Do 7⅛% Red Deb 1987/92 3$\frac{9}{16}$pc.
Whitbread 4½% 1st. Cum. Prf. 1.575p
Do. 6% 3rd. Cum Prf. 2 1p
Do. 7% 3rd Cum Prf 2.45p

Parliamentary

Today. Commons: Opposition debates *on the need for* increased control over the possession and use of firearms and on the inadequacy of consultations on the Government's education proposals. Motions on financial aid and grant schemes for fishing vessels and fish farming.

Lords: committee debates on Criminal Justice Bill.

Tomorrow. Commons: debate on the defence estimates for 1987.

Lords: committee stage debates on the Criminal Justice Bill. Motions on financial assistance for the fishing industry.

Wednesday. Commons: second day's debate on the defence estimates. Motion on Common Market document relating to radioactivity levels in food and water.

Lords: debate on the state of child health services in the United Kingdom with reference to the recent report 'Investing in the Future: Child Health 10 years after the Court Report'. Debate on the needs and problems of people with disabilities. Unstarred question on Britain's air defences.

Thursday. Commons: resumption of the adjourned debate on the second reading of the Scottish Development Agency Bill.

Lords: Committee debates on the Criminal Justice Bill. Motions on Church of England regulations and the Companies (Mergers and Divisions) Regulations for 1987.

Friday. Commons: debate on renewable sources of energy.

Pensions attitudes surveyed

By Eric Short, Pensions Correspondent

EMPLOYERS with existing company pension schemes are generally antagonistic towards personal scemes and doing anything to help those employees who take them out. However, many have not yet made final decisions on the matter.

This is one of the findings in a survey of employer attitudes towards next year's pension changes conducted by Bacon and Woodrow, a leading firm of consulting actuaries, among their client firms.

This showed that the great majority of companies would not consider paying any contributions towards a personal pension beyond the required minimum.

Only two employers in the survey were prepared to do as much for employees taking personal pensions as for those employees in the company scheme.

About three-quarters of employers, however, will be prepared to readmit employees into the company scheme though usually on very restrictive conditions.

Bacon and Woodrow's research department showed that for a typical scheme the employer's contribution to a personal pension would be in the 3 per cent to 4 per cent range but it was emphasised that any interested employer should have the contribution calculated for his own scheme terms.

Trade Fairs and Exhibitions:UK

Current
Motorfair (01-385 1200)(until November 1) **Earls Court**

October 26-28
UK Corrosion Exhibition and Conference (0202 35544)
Metropole Exhibition Hall, Brighton

November 3-5
International Financial Services, Technology and Accountants Exhibition (01-749 9535)
Barbican Centre

November 3-7
International Plastics Exhibition - INTERPLAS (021-705 6707)
NEC, Birmingham

November 5-8
London Money Show - MONEY (01-948 5166)
Olympia

November 8-10
Camping and Outdoor Leisure Exhibition -COLA (08956 34191)
Exhibition Centre, Harrogate

November 10-12
Drives, Motors, Controls and PC+ Systems Exhibitions (0799 26699)
NEC, Birmingham

November 12-22
Scottish Motor Show (031-225 3643)
Exhibition Centre, Glasgow

November 22-28
International Building and Construction Exhibition (01-486 1951) **NEC, Birmingham**

December 1-3
International Trade and Services Exhibition and Conference - EXPORT (01-727 1929)
Business Design Centre, London

December 1-5
World Travel Market Exhibition (01-940 6065)
Olympia

Overseas

Current
National Transportation Fair - BRASIL TRANSPO (01-499 0877)(until November 1)
Sao Paulo

November 16-20
International Electronic Components Exhibition - COMPOSANTS ELECTRONIQUES (01-225 5566)
Paris

November 17-21
Machine Tools Exhibition
FINNTEC (01-486 1951)
Helsinki

November 17-21
Furniture and Woodworking Machinery Show (01-379 0765)
Taipei

November 25-28
North European Electronics, Electrical Engineering and Power Transmission Exhibition - ELECTROTEC (0202 687070)
Hamburg

Business and Management Conferences

October 27-28
Financial Times: The fifth professional personal computer conference (01-925 2323)
Hotel Inter-Continental, W1

November 1-3
CBI National Conference (01-379 7400)
Glasgow

November 3-4
Kluwer Questmere Conferences: Financing UK Exports and Projects - changing Government support & alternative funding techniques (01- 568 6441)
Empire Conference Suite, London

November 4-5
Acquisitions Monthly: How to *buy and sell companies (01-637 4333)*
Inn on the Park, W1

November 5
The Institute of Directors : UK companies: the revenue offensive(01- 839 1233)
116 Pall Mall, SW1

November 5-6
Second Royal Institute of International Affairs/CICI International Information Conference: Day 1 - Information products as *a stimulus to business growth;* Day 2 - The development of Europe's new information markets (01-930 2233)
Chatham House, SW1

November 5
British Overseas Trade Group for Israel: British financial services to Israel symposium (01-638 9537)
City of London

November 9
CBI: HIGH STREET 2000 - a *consortium conference looking* at the future of high street retailing (01- 379 7400)
Centre Point, London

November 10
Institute of Directors: Coping with growth - directing the expansion of your business (01-839 1233)
116 Pall Mall, London

November 16-17
Financial Times: World electricity (01- 925 2323)
Hotel Inter-Continental, London W1

November 19
The Royal Institute of International Affairs/ American Chamber of Commerce (UK): Strategic export controls - Military security, corporate self-interest and commercial policy - Can conflicting goals be reconciled ? (01- 930 2233)
Chatham House, London SW1

November 20
Business Briefings: Business Expansion Scheme (01- 381 1284)
Glaziers Hall, SE1

November 24
The Henley Centre: The UK economy - the next five years (01-353 9961)
Cavendish Conference Centre

November 24
The Institute of Taxation: Tax *planning for individuals and* trusts (01- 235 9381)
RAF Club, W1

November 26
Leasing Digest Conferences: Looking forward with hindsight (01-236 3288)
Grosvenor House Hotel, W1

December 1-2
Financial Times: World Telecommunications (01- 925 2323)
Hotel Inter-Continental, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no changes in the details published

Company Notices

Société Nationale des Chemins de Fer Belges (S.N.C.B.)

Nationale Maatschappij der Belgische Spoorwegen (N.M.B.S.)

US$ 75,000,000 Floating Rate Notes due 1991

guaranteed by
The Kingdom of Belgium

(of which US$ 50,000,000 have been issued as an Initial Tranche)

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from October 23, 1987 to January 25, 1988 the Notes will carry an interest rate of 8$\frac{5}{16}$% p.a.

The interest payable on the relevant interest payment date, January 25, 1988 against coupon n°8 will be US$ 2,137·85 per Note of US$ 100,000 nominal and US$ 5,344·62 per note of US$ 250,000 nominal.

The Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

CENTRAL-EUROPEAN INTERNATIONAL BANK LTD
$US 30.000.000
FLOATING RATE NOTES DUE 1996

For the six months, October 15, 1987 to April 14, 1988, the rate of interest has been fixed at 9 3/16 % P.A.

The interest due on April 15, 1988 against coupon nr 4 will be $US 4 670.31 and has been computed on the actual number of days elapsed (183) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

Inco
Inco Limited
(Incorporated under the laws of Canada)
US$100,000,000
Floating Rate Notes due 1995

NOTICE IS HEREBY GIVEN that the *Rate of Interest has been Fixed at* 8$\frac{11}{16}$% and that interest will be payable on the relevant Interest Payment Date April 25 1988 against Coupon Number 6. In respect of US$100,000 nominal amount of the Notes, the payment will be US$4,335.94 and in respect of US$1,000,000 nominal amount of the *Notes, the payment will be* US$43,359.38.

Canadian Imperial Bank of Commerce
Agent Bank

October 21st, 1987

THE KINGDOM OF DENMARK
Yen 10,000,000,000 6⅛% Notes 1996
THE KINGDOM OF DENMARK
Yen 20,000,000,000 7½% Dual Currency Yen/US$ Dollar Notes due September 1997

Pursuant to the Terms and Conditions of the Notes, notice is hereby given that Daiwa Europe Limited, London acting as a Paying Agent, has moved to the following new address as from October 5, 1987:

DAIWA EUROPE LIMITED
5, King William Street
London EC4N 7AX
THE KINGDOM OF DENMARK

THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK US$100,000,000 8¾% NOTES DUE 5th MARCH, 1991, SERIES 118

Pursuant to the Terms and Conditions of the Notes, notice is hereby given that Daiwa Europe Limited, London, acting as a Paying Agent, has moved to the following new address as from October 5, 1987.

DAIWA EUROPE LIMITED
5, King William Street
LONDON EC4N 7AX

The Mortgage Bank and Financial Administration Agency of the Kingdom of Denmark

Mercury Far Eastern Trust Ltd.
Pacific Fund

Due to the prevailing international stock market conditions which affect the proper valuation of the above company's Pacific Fund's investments, the Manager of the above company announces that in accordance with its Articles of Association dealing in shares of the Pacific Fund was suspended on 21st October, 1987. Dealings of the Company's Japan Fund was not affected.
For details of the current position please contact the Managers. Formal notice of termination of suspension will be published in this newspaper.

Warburg Investment Management Jersey Ltd.
39/41 Broad Street
St. Helier, Jersey, Channel Islands
Tel. (0534) 74715

FIDELITY PACIFIC FUND S.A.
Panama, Republic of Panama
DIVIDEND NOTICE

At the directors meeting of September 10, 1987 the directors declared a dividend of US$0 18 per share payable on or after September 24, 1987 to registered shareholders of record on September 10, 1987 and to holders of bearer shares upon presentation of coupon No. 17.

Paying Agent Kredietbank S.A. Luxembourgeoise
43, boulevard Royal L-2955 LUXEMBOURG

Legal Notice

NOTICE OF CREDITORS MEETING
IN HER MAJESTY'S HIGH COURT
OF JUSTICE OF THE ISLE OF MAN
CHANCERY DIVISION
IN THE MATTER OF THE
COMPANIES ACTS 1931 TO 1986
AND
IN THE MATTER OF
EUROPEAN LIFE &
PENSIONS LIMITED

NOTICE IS HEREBY GIVEN that at a sitting of the above Court held at Douglas on the 21st October 1987 an Order was made under the provision of Section 152 of the Companies Act 1931 that European Life & Pensions Limited should convene a meeting of its creditors for the purpose of considering and if thought fit approving (with or without modification) a Scheme of Arrangement. [illegible]

Robert William Coats and
Ian Leonard Redford
Joint Receiver and Manager of
European Life & Pensions Limited
and Scheduled Companies

Clubs

Contracts & Tenders

TENDER

Middle East technical university is to purchase some equipment for nuclear laboratory by tender. Tender documents and specifications can be bought from Mrs. Zafer Onder Yapi Dairesi, Rektorluk, Odtu—Ankara 06531, Turkey.

Telefon: (90) 4-223 71 00/2903-04
Telex: 42761—ODTK—TR
Telefax: (90) 4-2233054

The bids are to be submitted on 15/12/1987 at 10.00 hours at the latest. Delays in post etc are not accepted. This purchase is funded by Islamic Development Bank.

KOREA FIRST BANK
(Incorporated with limited liability in the Republic of Korea)

U.S.$50,000,000
Floating Rate Notes Due 1998

In accordance with the provisions of the Floating Rate Note, notice is hereby given as follows:

Interest Period :September 11, 1987 to March 11, 1988 (182 days)
Rate of Interest :8⅞% per annum
Coupon Amount :US$4,265.63 per denomination (US$100,000.00)

Agent
LTCB Asia Limited

WORLD STOCK MARKETS

AUSTRIA

1987 High	1987 Low	October 23	Price Sch %
2,410	1,890	Creditanstalt	2,110
3,450	2,460	Goesser	3,050
13,200	10,800	Interunfall	11,950
14,000	7,058	Jungbunzlauer	8,210
432	348	Laenderbank	388
780	565	Perlmooser	682
167	108	Steyr-Daimler	116
1,113	690	Veitscher Mag	788

BELGIUM/LUXEMBOURG

1987 High	1987 Low	October 23	Price Frs.
3,465	2,500	B.B.L.	2,600
16,000	14,500	Banque Gen. Du L.	14,500
15,200	4,260	Bank Int. A	14,000
13,175	9,000	Bekaert B	9,580
6,880	3,900	Ciment CBR	5,550
186	131	Cockerill	150
12,100	7,650	Colruyt	7,650
5,050	2,700	Delhaize	1,930
5,500	4,115	EBES	4,420
2,700	944	Fabrique Nat	1,080
1,440	926	GB Inno BM	1,040
4,525	3,250	GBL (BruxL)	3,365
6,650	5,000	Generale Bank	5,350

GERMANY

1987 High	1987 Low	October 23	Price Dm.
360.2	269	AEG	290
1,976	1,209	Allianz AG	1,300 xr
346.7	239	BASF	292
377.3	274	Bayer	305.3
563	365	Bayer-Hypo	408
523	375	Bayer-Verein	394
543	390	BHF-Bank	425
787	455	BMW	582
369	270	Brown Boveri	314
312	244.5	Commerzbank	252
374	262	Cont'l Gummi	286
1,220	884	Daimler-Benz	938
579	411	Degussa	430
254	190	D'sche Babcock	195
790	530	Deutsche Bank	566
381	286	Dresdner Bank	297
350.5	268	Feldmuehle Nobel	284
599.5	458	Henkel	513
1,110	551	Hochtief	551
344	240	Hoechst	272.5
137.9	88	Hoesch Werke	119.5
555	367	Holzmann (P)	380
293	201	Horten	220
690	480	Husel	520
601	403	Karstadt	482
541	447	Kaufhof	471.5
200	142	KHD	163
163.5	125.5	Kloeckner Werke	135
795	589	Linde	650
215.5	122	Lufthansa	156
204	148	MAN	176

AUSTRALIA

JAPAN

DENMARK

ITALY

FINLAND

NETHERLANDS

HONG KONG

FRANCE

SWITZERLAND

NORWAY

SWEDEN

SOUTH AFRICA

SINGAPORE

SPAIN

CANADA

TORONTO

Closing prices October 23

MONTREAL

Closing prices October 23

OVER-THE-COUNTER

Nasdaq national market, closing prices, October 23

Continued from Page 43

Indices

NEW YORK

DOW JONES

STANDARD AND POOR'S

TRADING ACTIVITY

CANADA

TORONTO

NEW YORK ACTIVE STOCKS

Closing prices, October 23

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	22	AAR s	.50	2.0	15	354	25¼	24½	24½	−2½
32½	17½	AFG s	.16	.6	9	1822	25⅝	25¼	25⅝	−⅜
30	9⅝	AGS s			15	447	17⅛	16	17	+¾
9⅜	3¼	AM Ind			35	2975	4⅛	3⅞	3⅞	−⅝
65½	32	AMR			11	9147	38¼	36¼	36⅝	−⅝
27½	24⅞	ANR pf 2.67		11.		1	25	25	25	
25	21¼	ANR pf 2.12		10.		8	20¼	d20¼	20¼	−1
12¼	7⅛	ARX s			8	522	8	7⅞	7⅞	+⅛
73½	34⅜	ASA	2a	3.6		980	55⅝	53	54⅞	−1¼
22⅝	9¾	AVX			16	942	13	11½	12⅝	−⅝
67	40	AbtLab	1	2.1	18	7393	47	43	46¾	+¾
28	18¾	AbitibOi g				326	18¾	d17½	18	−1
16¾	9	AcmeC	.40	3.7	11	50	11	10¾	10¾	−¼
10½	6⅛	AcmeE .32b		3.8	29	34	8⅝	8⅛	8⅝	+⅛
23⅞	16½	AdaEx 3.30e		18.		286	19½	18	18½	−¾
19½	9	AdmM s .24		2.5	7	64	9⅞	9⅝	9⅝	−⅝
35	13⅞	AdvSys			16	385	25	24	25	+1
24⅞	9¾	AMD				6800	12¼	10⅞	11⅜	−⅝
56¾	33	AMD pf	3	8.9		713	36½	d32	33⅝	−4⅜
11⅞	5¼	Adobe				152	6½	6	6	−½
20½	14¾	Adob pf 1.84		10		40	18¼	18	18	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26 7/8	12 1/8	PayCsh	.16	1.2	11	1283	13 1/2	13	13	-1/2
60 1/2	37	PenCen	.06	.1		1788	42 5/8	41 1/2	42 5/8	+5/8
66	35 1/4	Penney	1.48	3.5	12	5929	44 1/4	40 3/4	41 3/4	-2 3/4
41 3/8	28 5/8	PaPL	2.68	7.8	11	6530	35 3/8	34 1/2	34 1/2	-1/8
58	44	PaPL	pf4.40	10.		z20	44	44	44	
54	44	PaPL	pf4.50	9.7		z620	46 1/4	45	46 1/4	+3/4
104	78	PaPL	pf8.60	10.		z100	84 1/2	83 1/2	84 1/2	+2
101	78	PaPL	pr8.40	11.		z280	80	79 1/2	79 1/2	+1/4
98 1/4	74	PaPL	pr 8	10.		z210	76 1/4	76 1/4	76 1/4	
68 1/4	41	Pennwlt	2.40	6.0	11	813	40 1/2	d38 1/2	39 3/4	-1 1/4
39 1/2	23 1/2	Penw	pr1.60	6.9		26	24	d23 1/4	23 1/4	-3/4
85	38 1/2	Pennzol	2.20	4.2	34	1753	53 1/4	50 1/8	52 3/4	+1 3/4
26 3/4	14 1/4	PeopEnl	.44	8.4	9	512	18	16 1/2	17 1/8	-1/2
18 7/8	9 1/2	PepBy s	.08	.6	22	1148	13 1/4	11 7/8	12 7/8	-1/8
42 7/8	20 1/2	PepsiCo	.58	2.1	16	9110	33 3/4	31 1/4	32 7/8	+5/8
12 7/8	7 3/8	PerkF	1.15e	13.	12	126	9	8 3/4	8 3/4	
41 1/8	18 1/2	PerkEl	.60	2.8		3671	22	20 1/4	21 3/4	+1 1/8
8 1/8	5 1/2	Prmian	.51e	8.5	10	124	6 1/8	6	6	
10 1/4	6 3/4	PrLP	pr1.15	14.		636	8 3/8	7 7/8	8 1/8	-1/4
15 3/8	7 1/8	PeryDr	.22	3.3	422	70	6 7/8	d6 5/8	6 5/8	-1 1/8
40	21 5/8	Perrie	.70	3.2	14	759	23 3/8	22	22	-7/8
21 1/4	15 1/2	PtPar	n 2	11.		280	17 7/8	17 3/8	17 7/8	+1/8
33 1/2	24 3/8	PetRs	2.37e	9.2		75	25 5/8	25	25 5/8	-1/4
20	15	PetRs	pf1.57	10.		24	15 3/4	15 5/8	15 3/4	+1/8
2 1/8	1	PtrInv	.12e	9.6		25	1 3/8	1 1/4	1 1/4	-1/8
77	40	Pfizer	1.60	3.5	12	12168	51 1/2	50	51	-1 7/8
56	17 3/8	PhelpD			15	4368	31	29 1/2	29 7/8	-7/8
74	42 5/8	PhlpD	pf 3	6.6		970	46 1/2	45 1/4	45 1/4	-1 1/4
35	16 3/4	PhilaEl	2.20	11.	8	5684	19 3/4	19 1/2	19 3/4	-1/8
[illegible]										
16 1/8	11 1/8	Zemex	.40	3.5	7	150	11 3/4	11 1/4	11 3/8	-1 1/8
33 5/8	11 1/2	ZenithE			56	2738	15 7/8	13 5/8	13 7/8	-1 7/8
13 1/2	3 3/8	ZenLab				3947	4 1/2	4 1/8	4 1/4	
26 1/2	14 1/2	ZenNtl	.80	5.1	9	838	16 1/4	14 5/8	15 3/4	+1
20 3/8	12 3/4	Zero	.36	2.7	13	217	13 1/2	12 3/4	13 1/4	+1/4
30 3/4	15	Zurnln s	.88	3.6	13	284	19 1/4	18 1/2	19	
10 5/8	7 5/8	Zweig	.85e	7.2		1185	9	8 3/4	9	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, October 23

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices, October 23

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 41

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Economic news overwhelmed by market volatility

TRADERS IN financial markets return to work this morning after a weekend of taking stock.

The worst scenario in London was probably to have cancelled insurance policies in the week before the storm that hit south east England in the early morning of Friday October 16, in order to invest in insurance company shares, only to find one's house devastated by a falling tree.

As dealers saw vast amounts of money wiped off share prices, it became necessary to consider the implications of a US led recession, but in the general mayhem money markets and the foreign exchanges were relatively calm.

UK economic news had much less impact than might have been expected. Money supply growth was very strong, but failed to prevent a cut in bank base rates. The trade figures were surprisingly good, but were swallowed up in the general volatility of world equity markets.

Among US economic data, the rise of 3.8 per cent in third quarter Gross National Product growth was also surprising. It compared with 2.5 per cent in the second quarter, and was stronger than market forecasts of around 2.7 per cent.

The least impressive part of the data was the fall of $5.2bn in net exports, as imports rose sharply, underlining fears among economists that the US is heading for recession.

Kleinwort Grieveson Securities said "one firm conclusion is that growth in the US will suffer. Individual's wealth has been reduced and this will result in a reduction in spending."

Morgan Grenfell predicts consumption will fall back sharply in the next couple of months and that zero growth is expected in the fourth quarter of this year and the first quarter of next year.

In late European trading on Friday the dollar fell sharply, and in Tokyo it was forecast the US currency would soon fall below Y140 and test its record low some time next month.

It is feared that foreign investors will be reluctant to invest in the US because of President Reagan's failure to deal effectively with the budget deficit.

Financial markets were generally disappointed with Mr Reagan's statement on Thursday and his lack of enthusiasm about higher taxation to cut the budget deficit.

Against this background there is unlikely to be much reaction to this week's US economic figures.

Personal income and consumption figures will be released today. Income is expected to rise 0.4 per cent according to a survey by Money Market Services. Morgan Grenfell and Normura Grieveson expects 0.5 per cent, but James Capel, and Phillips and Drew forecast 0.3 per cent.

The MMS survey suggests a fall of 0.1 per cent in consumption. Morgan Grenfell, and James Capel are in line with the median. Kleinwort Grieveson looks for a fall of 0.2 per cent, but Phillips and Drew expects a flat figure and Nomura forecasts a rise of 0.1 per cent.

Tomorrow's durable goods orders for September will rise 1.0 per cent on the MMS survey. Kleinwort Grieveson agrees, but Nomura forecasts the figure will be flat, while Morgan Grenfell, and James Capel expect a rise of 1.5 per cent and Phillips and Drew looks for 1.8 per cent. Friday's leading indicators for September are likely to be unchanged on the estimates of Nomura, rise 0.3 per cent on the forecast of Phillips and Drew, and 0.4 per cent according to James Capel, Kleinwort Grieveson, and Morgan Grenfell.

£ IN NEW YORK

Oct. 23	Close	Previous Close
£ Spot	1.6850-1.6860	1.6465-1.6475
1 month	0.38-0.36pm	0.33-0.30pm
3 months	0.84-0.79pm	0.87-0.80pm
12 months	2.65-2.45pm	2.95-2.75pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 23	Previous
8.30 am	73.4	73.4
9.00 am	73.4	73.4
10.00 am	73.3	73.4
11.00 am	73.4	73.5
Noon	73.5	73.5
1.00 pm	73.5	73.4
2.00 pm	73.4	73.5
3.00 pm	73.4	73.5
4.00 pm	73.5	73.4

CURRENCY RATES

Oct. 23	Bank rate %	Special * Drawing Rights	European Currency Unit
Sterling	—	0.780169	0.693625
[illegible]	[illegible]	[illegible]	[illegible]

* CS SDR rates for Oct. 22: 1.49774

CURRENCY MOVEMENTS

Oct. 23	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Oct. 23	£	$
[illegible]	[illegible]	[illegible]

*Selling rate.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Fr.	10.02	10.0185	10.0175	10.0174	10.0173
Swiss Fr.	2.4775	2.4639	2.4443	2.4129	2.3446
Yen	239.25	238.15	236.35	233.55	238.22

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2900	+1.96	+1.19	± 1.5344
Danish Krone	7.85212	7.95821	+1.35	+0.58	± 1.6404
German D-Mark	2.05853	2.07523	+0.81	+0.04	± 1.0981
French Franc	6.90403	6.93469	+0.44	−0.33	± 1.3674
Dutch Guilder	2.31943	2.33468	+0.66	−0.11	± 1.5012
Irish Punt	0.768411	0.774640	+0.81	−0.04	[illegible]
Italian Lira	1,483.58	1497.34	+0.93	+0.61	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6510-1.6780	1.6765-1.6775	0.38-0.35c pm	2.61	0.81-0.74pm	[illegible]
Canada	2.1737-2.1965	2.1955-2.1965	0.40-0.29c pm	1.89	0.14-0.08pm	[illegible]
Netherlands	3.36¼-3.37½	3.36½-3.37½	1⅛-1⅛cpm	4.45	3⅞-3½pm	[illegible]
Belgium	62.25-62.85	62.75-62.85	20-15cpm	3.34	50-40pm	[illegible]
Denmark	11.44½-11.55½	11.54½-11.55½	½pm-¼oredis	0.39	¼pm-⅝dis	[illegible]
Ireland	1.1125-1.225	1.1170-1.1180	0.20-0.10cpm	1.61	0.40-0.25pm	[illegible]
W. Germany	2.98¼-3.00	2.99-3.00	1⅝-1⅛pf pm	6.01	4⅛-3¼pm	[illegible]
Portugal	235.72-238.48	237.50-238.48	36-89c dis	−3.15	151-242dis	[illegible]
Spain	193.06-194.84	193.72-194.17	25-110c dis	−4.18	100-190dis	[illegible]
Italy	2152¼-2168¼	2160½-2161½	Par—4 lire dis	−1.11	7-12dis	[illegible]
Norway	10.94½-11.09½	11.08½-11.09½	3⅝-4⅛ore dis	−4.19	10½-11¼dis	[illegible]
France	9.97½-10.02½	10.01½-10.02½	1¼-1⅛cpm	1.87	3⅞-3pm	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 62.35-63.45. Six-month forward dollar 1.50-1.40cpm. 12-month 2.50-2.30pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.75-37.85

EURO-CURRENCY INTEREST RATES

Oct. 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years 8⅝-8⅞ per cent; three years 8⅞-9⅛ per cent; four years 9⅛-9⅜ per cent; five years 9¼-9 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct. 23	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.455	0.764	1.364	108.9	4.563	1.128	1.535	984.1	1.	28.60
B Fr.	1.592	2.670	4.769	381.0	15.96	3.945	5.366	3441.	3.497	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
104	14.08	14.26	0.00	0.12
106	12.09	12.36	0.01	0.22
108	10.11	10.50	0.03	0.36
110	8.16	9.06	0.08	0.56
112	6.23	7.35	0.15	1.21
114	4.42	6.09	0.34	1.59
116	3.12	4.58	1.04	2.44
118	2.01	3.53	1.57	3.39

Estimated volume total, Calls 10,826 Puts 8,038
Prev. day's open int: Calls 45,517 Puts 33,939

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
76	11.19	10.42	0.19	0.36
78	9.26	9.00	0.26	0.58
80	7.26	7.26	0.26	1.20
82	5.49	5.54	0.49	1.48
84	4.18	4.35	1.18	2.29
86	3.01	3.26	2.01	3.20
88	1.63	2.33	2.63	4.27
90	1.31	1.53	4.31	5.47

Estimated volume total, Calls 516 Puts 231
Previous day's open int: Calls 2,929 Puts 1,796

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Oct.	Calls—Last Nov.	Puts—Last Oct.	Puts—Last Nov.
18750	0.00	4.52	15.00	19.52
19000	0.00	3.91	17.54	21.41
19250	0.00	3.37	20.00	23.37
19500	0.00	2.89	22.50	25.39
19750	0.00	2.48	25.00	27.48
20000	0.00	2.11	27.50	29.61
20250	0.00	1.80	30.00	31.80
20500	0.00	1.52	32.50	34.02

Estimated volume total, Calls 1 Puts 0
Previous day's open int: Calls 130 Puts 205

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.50	16.05	16.05	—	16.05	0.00	0.01	—	0.34
1.55	11.05	11.05	11.05	11.05	0.01	0.10	0.40	0.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 25 Puts 7
Previous day's open int. Calls 378 Puts 1,334

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.45	—	12.90	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.50	15.40	15.40	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int: Calls 779 Puts 109
Estimated Volume: 20

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Nov.	Dec.	Jan.	Mar.	Puts Nov.	Dec.	Jan.	Mar.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int: Calls 85,537 Puts 73,930
Previous day's volume: Calls 13,254 Puts 885

LIFFE-EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Mar.	Jan.	Sept.	Puts—Last Dec.	Mar.	Jan.	Sept.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int: Calls 2,750 Puts 2,713
Estimated Vol: Calls 26 Puts 5

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

IMM—STERLING $ per £

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.6545	1.6490	1.6490	1.6472
Mar.	1.6497	—	—	1.6405
June	1.6420	—	—	1.6330

Estimated volume 16 (10)
Previous day's open int 300 (305)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

Surprising base rate cut

UK clearing bank base lending rate 9½ per cent from October 26

A FORECAST that UK bank base rates would be cut by ½ per cent to 9½ per cent would have been greeted with some disbelief at the beginning of last week, and probably regarded as little short of lunacy after Tuesday's publication of the bank lending figures.

It was generally expected that lending would grow in September by about £3bn, compared with £2bn in August. Economists were prepared to look for special factors in the published rise of £4.4bn, but not to the extent of allowing a cut in interest rates.

Tuesday's news was overshadowed by the movement in equity markets, and by the end of the week the determination of various governments to restore calm produced a reaction from the Bank of England.

Better than expected UK trade figures in September, announced Friday, following a surprising fall of 0.8 per cent in retail sales, eased fears of overheating in the economy.

West German interest rates had fallen back during the week, and the US Federal Reserve had acted to calm the markets with early intervention in the New York banking system.

New York rates fell and banks cut their prime rates to 9 per cent from 9¼ per cent.

The alternative to a reduction in UK bank base rates was upward pressure on sterling and further Bank of England intervention to prevent a move through DM 3.00. The pound's closing levels on Friday suggest there may still be some way to go in reducing the differential between London interest rates and those of other major industrial nations.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 23) 3 months U.S. dollars		6 months U.S. dollars	
bid 7⅝	offer 7¹¹⁄₁₆	bid 7⅝	offer 7¹¹⁄₁₆

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Oct. 23	Oct. 16		Oct. 23	Oct. 16
Bills on offer	£100m	£100m	Top accepted rate of discount	[illegible]	[illegible]
Total of applications	£800m	£652	Average rate of discount	[illegible]	[illegible]
Total allocated	£100m	£100m	Average yield	9.27%	10.03%
Minimum accepted bid	£97.74	£97.56	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	62%	40%			

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Oct. 23	change	NEW YORK	Oct. 23	change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London—Band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4 pm)

		Treasury Bills and Bonds			
Prime rate	9	One month	4.32	Three year	8.12
Broker loan rate	8-8¼	Two month	5.08	Four year	8.47
Fed. funds	7⅛	Three month	5.48	Five year	8.62
Fed funds at intervention	6⅞	Six month	6.27	Seven year	8.88
		One year	6.94	10 year	8.98
		Two year	7.79	30 year	9.10

October 23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

October 23	Overnight	7 days notice	Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

SECTION III

FINANCIAL TIMES SURVEY

Rapid growth in new technology, the drive for public service efficiency, staff cut-backs and Big Bang, have all benefited consultants. While most confidently expect demand to grow, the shake-out in consultancy itself could be starting. **Michael Skapinker** reports

Simon Stern

Management Consultancy

CONTENTS

The shake-out beneficiaries

AN INDICATION of the secure status of management consultants in Britain today is the fact that you never hear any new jokes about them. You do still hear plenty of variations on the old joke, not all of them printable, which is that a consultant is someone who borrows your watch to tell you the time.

The consultants, however, can afford to grin and bear it. The Management Consultancies Association says its members' fee income increased by 36 per cent to £228m in 1986. The Association's executive director, Brian O'Rorke, says this year's figure is likely to be close to £300m. The MCA estimates that its members account for 65 per cent of the income of the total consulting market in Britain.

One of the most significant factors in the boom is the rapid growth of new technology. Many managers are convinced that they need it, but not all of them are sure what to do with it. Paul Batchelor, a consultant with Coopers and Lybrand, says that computer manufacturers have managed to maintain the gap between what they are producing and what company executives feel they can understand.

Consultants, he says, can therefore step in as intermediaries between the suppliers and the users. The MCA says its members' fee income from information technology consulting doubled last year to £69m.

The Government's drive for increased efficiency in the public services has opened a door to many consultants, too. The public sector is a profitable area. Civil servants rely on consultants to help them reorganise, to institute performance-related pay and to bring in private sector contractors to perform some of their functions.

All aspect of consulting have benefited from the shake-out in British industry. Many companies have cut back on the number of staff they employ directly, prefering to rely on consultants to help them plan strategy, devise internal training programmes and set pay and benefit levels for their employees.

Big Bang, the deregulation of the city of London, has been an additional fillip. Consultants have been involved in installing the financial services sector's new technology and have helped the industry plot its future.

While the work that consultants do has increased in complexity, clients have also become far more sophisticated. "They're much better at spelling out what they see as their problem and saying what sort of performance measure they will be using to assess the consultant's work. They're much less impressed by consultant-speak," says Christopher Tracy, formerly of McKinsey and now the head of the London office of Mars and Co.

"On the whole the clients tend to be more efficient organisations," adds James Morgan of Arthur Young. "The great joy of working for efficient clients is that they can answer any queries you have and they can go ahead and implement what you recommend."

Most consultants seem confident that the demand for their services will continue to grow. But the past year has not been without its hiccups. Some consultants were more rattled than they cared to admit when Bain and Co, the American firm, found itself caught up in the Guinness scandal. One of Bain's staff, Olivier Roux, had worked for Guinness directly, as its director of financial strategy and development.

British consultants are quick to point out that although they help their clients implement the proposals they make to them, they do not, unlike Bain, become involved in managing the company. "The point is raised by clients, but it's easily answered," says John Foden, chief executive of the PA group. "There's a clear distinction between helping to implement and signing pieces of paper to implement."

Another development has been the start of what many believe will be a shake-out in the British consulting industry. Over the past few years, a large number of small consulting firms have sprung up. "It's not a difficult business to enter," says John Harris, European President of the American consultants Booz, Allen and Hamilton. "All you really need is two telephones. You take a talented guy and he can always find a couple of clients. The problem is that, over time, how can he maintain his value to those clients?" It is very difficult to service your customers while at the same time trying to drum up new business, Mr Harris says.

Many consultants believe that there is a future for small firms only if they concentrate on very specialised areas. They do not see much of a role for the medium-sized firms. The middle-ranking practices are being hemmed in from either side by two groups: the well-established practices such as McKinsey and the Boston Consulting Group on the one hand, and the large practices, particularly those that have grown around accountancy firms, on the other.

This realisation was behind the merger of two of the most venerable names in British consulting, P-E International and Inbucon. The merger, announced earlier this year, is due to take effect in January 1988. The two firms hope that by combining, they will have the clout to compete against the accountancy-based practices.

The accountancy-based consultants have not, however, been free of problems either, the result of putting the rush for growth before profitability. A senior member of one of the accountancy-based practices says that his firm has spent the past year consolidating and deepening its relationship with its existing clients rather than going out and looking for new ones.

A few of the consultants in accountancy-based practices are prepared to admit that there is something of a culture clash between themselves and the audit partners. The consulting practice requires more investment in training and technology than some of the audit partners are used to, they say. Nevertheless, they, along with non-accountancy firms like PA, are likely to continue to dominate UK consulting.

PA's John Foden says that the challenge for the larger British-based firms now is to become more international. The United States, which represents 30 per cent of the international consulting market, is a particular target for his own company.

Gareth Jones of Ernst and Whinney predicts that apart from the large international firms, the accountancy-based practices and the niche specialists, a new group of consultants will increasingly make their presence felt: the universities. As they come under increased pressure from the government to find alternative sources of finance, consultancy will be an attractive option, as some universities have already discovered, he says.

When asked what the biggest constraint on their future growth is, consultants both inside and outside the accountancy-based firms give the same answer: finding enough good people to work for them.

The best of those applying for jobs with British-based firms are very good, says Booz Allen's Mr Harris. "The British graduate is generally highly numerate and highly literate. They are much, much better on their feet than young Americans.

"We just hired 12 people from Oxford and Cambridge and every one of them could be assigned to a case and take a paper home and then come in the next morning and talk intelligently about it. You couldn't find people from equivalent schools in the States, like Harvard, who could do it." Mr Harris says that his recruiting difficulty is not the quality of people available, but the fact that Booz Allen is not as well known in Britain as it is in the US.

For many other firms the problems are more acute. Although some of the larger firms do take in some graduates, they prefer people with management experience in industry or finance.

"It's a monumental difficulty," says Arthur Young's Mr Morgan. "Every moment we're not in with a client, we're worrying about the people we have to get coming in. I think consultancy has always been an attractive career opportunity," he says.

The problem is that the City now offers earnings which are so much higher. "In the past, consultancy has always been pretty well paid. But it isn't when you compare it with some of our financial services clients."

The staffing problem is not one which lends itself to easy solutions, consultants say. "It's not as though any new source of recruits has been uncovered," says Mars' Mr Tracy.

Remuneration

Firms become more sophisticated

THIS YEAR may be remembered "as the year that finally killed off the myth that the UK is one labour market," Mr Philip Burnford of Hay Management Consultants told a recent conference in London.

One bank, he said, has recognised the staggering cost of living in London by almost doubling its allowance for living in the capital to £3,000. Some London local authorities are reported to be paying premiums of up to £4,500 in an attempt to entice specialised staff.

The regional pay differential is just one manifestation of the huge transformation which has occurred in the pattern of UK remuneration over the past few years. Employers have had to find their way around such concepts as performance- and profit-related pay, cash bonuses and a range of share option schemes. There has been no shortage of consultants willing to help them.

Mr John Carney of Towers, Perrin, Forster and Crosby, says that his firm's pay and remuneration consulting practice has grown by 40 per cent in each of the last three years, and will grow by a similar amount this year. Other consultants are more reluctant to reveal specific percentages, but Mr Ken Schwarz, director of remuneration services at Inbucon Management Consultants, says that his firm has seen similar levels of growth.

Hay, Inbucon and TPF&C are among the older practitioners of pay and remuneration consulting. But there are now many new players in the field, some of them one-person operations catering to a specific industry.

The consultants identify several factors which, they say, have contributed to employers' increased interest in pay and remuneration. The ending of the pay restraint and incomes policies of the 1970s meant that companies could turn their minds to how best to attract and reward skilled staff.

The shedding of large numbers of employees during the painful recession of the early Thatcher years was another reason why companies began to look towards remuneration consultants. Managers needed to devise new pay structures for their leaner and slimmer organisations.

They also began to compete for skilled staff, a process made all the more urgent by the rapid technological change which confronted them. Attracting and keeping the right people meant offering a remuneration package which compared favourably with that offered by competitors in the same industry, rather than that available in the economy as whole. With companies now determined to make their way in the world, many began to offer their employees bonuses in return for performance.

New legislation to encourage companies to offer employees a stake in their companies has been another major reason for the growth of remuneration consulting. The first of three types of share option schemes was introduced in 1978, at the time of the Lib-Lab pact. The Conservative government has introduced two more. The most recent of these, introduced under the 1984 Finance Act, allows companies to introduce share option schemes which are available only to a specific class of employees, such as directors or senior managers.

With the Thatcher administration demanding value for money in the public sector, some central and local government organisations have turned to consultants, too, to help them establish performance-related pay structures.

Over the past few years, some remuneration consultants say they have found their work changing. Several companies that rushed to introduce new pay, benefit and share structures have found that they now need something slightly different. A few consultants report that they have been called in to do repair work on pay and share schemes - schemes devised by other consultants, they hasten to add.

Ken Schwarz, Inbucon's remuneration services director

At the same time, companies are becoming more sophisticated in their approach to remuneration and have a clearer idea of what they want. "People are becoming more demanding," says Helen Murlis, a remuneration specialist with Peat Marwick McClintock. "At long last, they are beginning to ask questions."

Mergers and acquisitions have been another source of business, as purchasing companies examine the pay and benefits being used by the companies they have bought and begin to ask how they can be integrated into their own.

The booming stock market of recent years and healthy company profits have made share options and performance-related bonuses an attractive proposition for many managers and employees. The question that many remuneration consultants ask is what will happen when the downturn comes?

To many consultants, that will be the real test of company and employee commitment to performance-related pay and share options schemes. Some worry that bonuses will have become such an intrinsic part of the pay package, that many companies will simply allow employees to continue receiving them even when they and their organisation are no longer meeting their targets.

At the moment, says John Carney, many British companies "are still quite thoughtful" about their remuneration packages. But there is a danger, he says, that bonuses will become institutionalised and regarded as something to which people have an inherent right, as has happened in some companies in the United States. "In the US, the worst abuses occur where companies just go about finding ways to satisfy executive greed," he says.

So much for the effect of a stock market downturn on companies. Most consultants seem less ready to consider what the effect would be on themselves. Would there still be the same demand for their services? Denis Crowe, editor of Incomes Data Services's Top Pay Unit review, argues that the public sector demand for remuneration advice will continue, at least for the four or five years of the Conservative Government's term.

As to the private sector, some consultants console themselves with the thought that theirs is an industry which thrives on change and that companies would need them to adapt their remuneration systems to hard times. "I suspect there might still be a call for their services to help sort things out," Mr Crowe says.

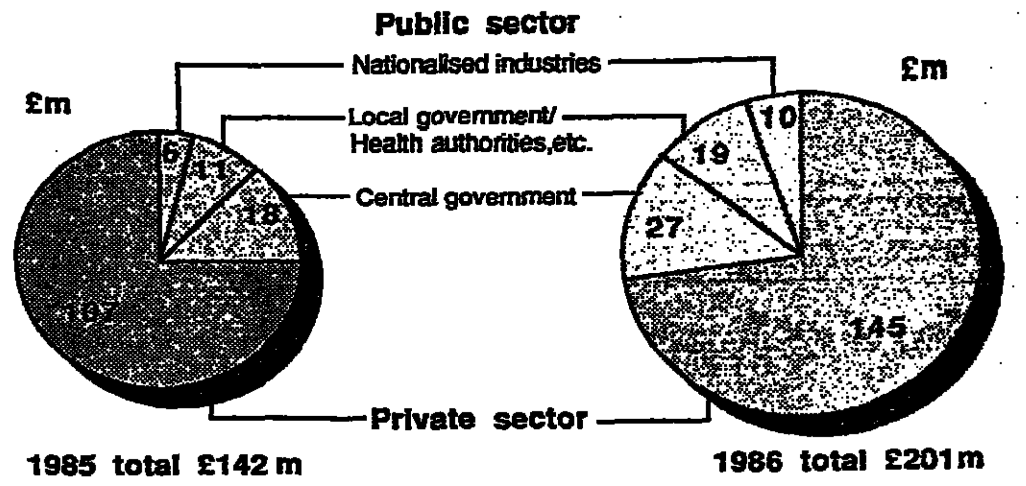
Michael Skapinker

Public sector

Happier spreading the work around

Where the work comes from

Analysis of fees earned in UK between public and private sectors by members of Management Consultancies Association



"THE LAST few years have seen a greater management revolution inside the civil service than at any time since the war. It is incomplete, but will be carried through; and, like comparable changes in industry, will bring large and durable benefits to our national life."

Those words of Sir Kenneth Stowe, then Permanent Secretary at the Department of Health and Social Security, in April 1986, gave a flavour of the changes that have taken place in central government management. And, as is common in much of the public sector, the drive for greater efficiency, which frequently involves the introduction of computer systems, creates a demand for consultants.

The other factor which has led to a big increase in the demand for outside expertise has been cuts in civil service manpower. Increasingly, government is dependent on commissioning skills that it just does not have within its own ranks.

Last year, members of the Management Consultants Association (around 60 per cent of the industry) took consultancy commissions from the public sector totalling £58m. That was an increase of 60 per cent over 1985. This year, the jump is expected to be of the same order. Of the consultancies not included in those figures, PA alone expects to undertake around £15m of consulting work in the public sector this year.

The work is not confined to the well-known names in the consultancy world. The public sector is increasingly conscious of the costs of bringing in consultants. Most contracts are awarded after going out to tender. Smaller, specialist consultants are increasingly successful in the bidding, while clients sometimes like those firms which can offer the personal service that goes with being small.

The public sector tends also to be happier if it is spreading its work around. It was interesting that the Department of the Environment stipulated that the five new development corporations must each award the contract for the detailed plan of their areas to a different firm of consultants. Price Waterhouse, Coopers & Lybrand, and Ecotec were three of the successful. The Trafford Park Corporation, meanwhile, deliberately adopted the course of choosing a team from a group of specialist consultancies.

Urban development corporations are a good example of the way in which the public sector workload for consultants is growing by leaps and bounds, despite the Government's constant efforts to contain public spending. The whole regeneration effort in the urban areas is increasingly calling for external economic assessments of the impact of programmes funded with public money, as well as specialist advice on land use planning.

In public spending terms, however, this is a tiny area. Between 1964 and 1986, public expenditure roughly doubled in real terms. It now stands at around £134bn. The four largest programmes are social security (£41bn), defence (£18bn), health and personal social services (£17bn) and education (£14bn).

Those figures in themselves are an indication of the fertile fields where consultants are needed, particularly defence and health. Most consultancies have been focusing on the National Health Service, where all the political signs are that there must be renewed pressure for efficiency savings to counter the growing demands being put upon the sector. Likewise, there is still enormous potential in the other big spending areas.

Sir Gordon Downey, Comptroller and Auditor General, in his report on the Financial Management Initiative published last autumn, and later used as the basis for the investigation by the Public Accounts Committee, highlighted the enormous challenges that the civil service still faces in attempting to introduce a management structure. He noted that most progress had been made in administration, but that in programme expenditure there was still a very long way to go.

The introduction and pursuit of a management culture requires the implementation of management accounting and budgetary control. Consultants have been brought in to help. If the exercise is to continue, much more help will be needed. Management information is quite inadequate, or non-existent, in large areas of the public sector. Without such systems, the exercise can only falter.

Mr P Thomas, director of PA's public sector division, explains the mesh of skills and their application in the context of consultancy in the public sector as a business with two broad focuses:

- The application and support of Information Technology in all its guises in terms of strategy, planning, implementation, user exploitation and information management as a whole
- Management effectiveness from policy making to operational management with strong emphasis on practical performance improvement, value for money, effective application of resources, and all the issues raised by commercialisation.

On IT planning and implementation, for example, PA is working for the Inland Revenue, DHSS, Property Services Agency, and the Ministry of Agriculture. Management effectiveness programmes are being carried out for social security offices, rostering of prison officers, and a considerable amount of work for local government, particularly as it concerns direct labour organisations, which has led to PA being retained by the Audit Commission.

Local government, spurred by the Audit Commission's activities, the constant pressure on their spending power from central government, and comparisons with services contracted out to the private sector, is concerned increasingly to deliver more efficiently.

It should be realised, however, that there is growing disquiet on the part of those who work in the public sector - particularly those who have direct contact with the public - that too much emphasis is being laid on efficiency and not enough on providing an effective service.

These rumblings should not be dismissed as politically motivated to frustrate the efficiency programme. The National Audit Office and the Public Accounts Committee made reference to it, and consultants should be aware of the potential implications for their work.

"The whole concept of efficiency needs to be widened to take greater account of performance evaluation, decentralised management, inter-organisational perspective, the role of specialists and that of the Treasury, as well as the need for public accountability," wrote Mr Les Metcalfe and Ms Sue Richards in the June issue of Public Money, published by the Chartered Institute of Public Finance & Accountancy.

Hazel Duffy

Information technology

Systems integration a profitable area

THE TWO industries of management consultancy and information technology (IT) are both profitable and growing industries, so it is hardly surprising that business is good at the point where they converge. Although no comprehensive figures are available, research suggests that the market for information technology consultancy could be worth as much as £150m in 1987.

Figures release by the Management Consultancies Association for 1986 demonstrate the growing importance of consultancy as a vital component of an organisation's computerisation strategy. The MCA, which represents 29 of the largest consultancy firms operating in the UK, estimates that its member companies did £69m of IT-related consultancy in 1986 - 98 per cent up on 1985. Although this may be an overestimate, most analysts believe that IT-related work is growing at over 30 per cent a year.

MCA member companies are believed to take about 60-65 per cent of the IT consultancy market. Small companies and even individuals are also enjoying strong demand. The Department of Trade and Industry, for example, distributes lists of active IT consultants which are several hundred names long.

The nature of the consultancy work is changing fast and broadening out into new activities. In recent years, large companies have been asking consultants to take on a more direct, "hands-on" on approach, in some cases eliminating the need for a software house and reducing the burden on in-house computer staff.

Although much of the work is still related to giving purchasing advice, consultants are frequently asked to become involved in long projects, identifying and analysing requirements, programming the systems and then managing the staff and facilities.

There are several reasons why consultancy is booming. One of these is quite simply that several sectors of the economy are involved in extensive computerisation, notably financial services, manufacturing and government. This is partly due to the general health of the economy, and partly due to special factors such as deregulation of the financial markets. But perhaps mostly it is due to the fact that IT is now being perceived as a vital competitive weapon.

Brian O'Rorke, executive director of the Management Consultancies Association pointed to the main reason why management consultants are involved in IT at all. "The message is that IT is a tool for management. If you are in need of advice on IT, you want advice that looks at it in the context of management, not as an independent technology. You want a management consultant, not a software house."

The strategic importance of IT is now widely acknowledged, particularly among larger clients. One of the most common projects that consultants are asked to work on is to put together a strategy for integrating an organisation's information systems over a long period.

One significant change in the pattern of computer usage has benefited management consultants - the increasing use of several hardware and software suppliers on one site. Ten years ago, a site might use only ICL, or only IBM, but not both.

Now, as users recognise that each supplier has its strengths and weaknesses, and as the development of international standards allows different makes of computer to talk to each other, the trend is towards using many different makes of computer. In this case, a "systems integrator" with knowledge of many different types of computer and how to link them up, is employed. Systems Integration is a profitable area in which software houses and management consultants are competing face to face.

Jim Donaldson, group director of the £40m turnover PE Consultants group, said that there is a trend towards buying in expertise from outside and this is evident with computers as it is elsewhere. "People are buying in, whether it's IT or anything else." In consequence, in-house expertise is not keeping pace with developments in computerisation.

In order to compete in this area, management consultants have acquired technical skills to complement their traditional understanding of business, while the larger software houses such as Logica, CAP and Hoskyns are now given to emphasising their knowledge and understanding of their clients' business needs.

From the consultancy side, Arthur Anderson is the most aggressive competitor in the IT business. Vernon Ellis, Arthur Anderson's managing partner responsible for consultancy, estimates that 85 per cent of the firm's business has a strong IT element, but unlike some firms, there is no separate IT division. This year the firm is taking on 150 graduates, and they will be "steeped in IT work" for three or four years. The business skills will be emphasised later.

As a company, Arthur Anderson is heavily involved in IT work. Not only does it offer consultancy, but it also sells software packages, and recently it introduced a "facilities management" service under which it will look after a client's computing resources on a contract basis.

Mr Ellis said that Arthur Anderson's perspective is that the suppliers of IT services and products are converging, with suppliers who offer a product seeking to offer services. At the same time, customers want to reduce the number of people they are dealing with. In order to compete, Arthur Anderson has expanded to offer products and services.

All the major management consultancies now have significant expertise in IT. Coopers & Lybrand, for example, has more than 200 staff in its IT division. These are often used to support other consultants with specialist knowledge of particular sectors of the economy.

For those companies capable of assimilating the technical expertise, the future looks as rosy as the present. Several major market research companies have predicted growth rates in excess of 25 per cent for IT consultancy work. Those firms with specialist technical knowledge of the boom sectors will fare even better.

Andrew Lawrence

Profile: PA

Reshaping to meet new demands

THE PA Consulting group - revenues in 1986 £111m - is the largest in Britain and ranks in the world's top 15. It is British by origin, international in its operations, and owned by a trust.

These three structural characteristics make it unique in the world of management consultancy. Indeed, for many years, PA was management consultancy for many British companies, and its reputation for professionalism in all that it does remains unimpaired.

PA managers, however, would be the first to agree that the consultancy sector is changing fast. It started as a general consultancy, but the demand is for specialist consultants and is being met increasingly by the more aggressive consultancy wings of the accountancy firms.

PA has shaped, and reshaped, itself to meet this demand, and at the same time to maintain its particular blend of skills which have been created from long experience. It is not a firm to jump on to the latest bandwagon, but, in its more cautious and thorough approach, its executives must always be sure that PA does not get left behind, or be cast as having "lost its way".

It believes that its strength is to offer not only advice in the traditional vein but also to work with the client to implement that advice. And, because of its range of expertise in different sectors, to be able to give the client the benefit of experience across sectors, and also across national boundaries. In this, it fits in with the growing tendency for successful companies to mount global strategies.

An example of this approach was work done for Reuters which drew on the technical and managerial strengths, contributing to the development of the telecommunications delivery network worldwide, and also helping to implement new management systems to underpin the business.

PA is organised into six main product and service sectors: computers and telecommunications; manufacturing services; operational services (for example, project management); personnel services (recruitment, human resource consulting); strategy services; and technology.

PA Technology has been through an unfortunate series of events in the last few months, which have revealed an unusually public view of the problems of managing a large group like PA.

A group of senior managers departed to set up their own consultancy - this came about 18 months after the founder of PA Technology, Mr Gordon Edge, left to set up his own consultancy. It must mean that it will take some time to repair the damage done to this prestigious division of PA, which has its own laboratories staffed with scientists, engineers and technologists.

John Foden, PA's group chief executive, takes a relaxed view of the departure of managers from PA Technology. "People are moving between consulting groups in a way they didn't do previously," he says. Mobility in the services industry is now a fact of life.

John Foden: public listing is primary goal

His primary goal for PA, he says, is to obtain a public listing. PA would like to expand, particularly in the US, and to make some acquisitions.

Hazel Duffy

Profile: Coopers and Lybrand

Myths to be put aside

MANAGING director of Coopers and Lybrand's management consulting wing, Mr David Miller, takes pride in the fact that his practice was working for some of the most solidly Tory local authorities in Britain, at the same time as it was preparing a report for Ken Livingstone on the effect of the abolition of the Greater London Council.

There are some consultants who turn down work to which they are politically opposed, he says. "But we regard ourselves as professionals, regardless of our own political preferences. It might be that we lose the odd job because of that, but that's a risk we're prepared to take."

Coopers and Lybrand's UK management consulting practice is 25 years old this year. With over 700 professionals, it is the largest of Britain's accountancy-based practices.

It has traditionally been strong in the manufacturing and distribution sectors and in providing advice to government organisations, both in Britain and abroad - in countries such as Egypt, Tanzania, Zambia and Thailand.

It also competes with "strategy boutiques" such as Bain and the Boston Consulting Group, both through its own strategic services division and through its minority stake in a small newly-formed strategy firm, Outram, Cullinan and Co.

Mr Miller sees the link with the accountants as having had both advantages and drawbacks. One of the advantages is being part of a larger family. A drawback is that some potential clients might not realise that consultancy is one of the services Coopers and Lybrand offers. "People say, 'Coopers and Lybrand? Aren't you accountants?'" Mr Miller says.

In fact, fewer than 20 per cent of the professionals in the consultancy practice are accountants, he says. And the management consultants do not wait for the audit partners to bring them work. "Let's put one myth aside," he says. "One usually-quoted advantage of being an accountancy-based practice is that you've got a tame client base. Actually, only about one-third of our work comes from audit clients."

Mr Miller is angered by a report in the accountancy press suggesting that Coopers' audit partners are tired of supporting the consulting practice. "It's a load of old bunkum," he says. Fee income for this financial year is £42m to £43m, compared with £35.9m last year, he says.

"We're a profitable business. We're significant net contributors," adds Mr Paul Batchelor, a senior director of the consulting practice. He concedes, however, that there might be some audit partners who still do not understand the way the consulting practice operates. As a growing business, consultancy needs to spend more on training, for example.

"There's a gulf between those partners who would maximise short-term profit and those who would maximise long-term profit," he says.

All the same, he says, the auditing and consulting sides of Coopers and Lybrand are co-operating much more than in the past. "We work very much more closely than we used to," he says. "There's been a convergence. They're beginning to use a lot more technology. Similarly we're beginning to be much more aware of the importance of managing the relationship with clients."

David Miller: pride in professionalism

Mr Miller and Mr Batchelor see a two-fold challenge for the future. The first is the continued development of the information technology side of the practice, developing systems that are tailored to management needs. With 180 professionals, the IT division is already the largest in the practice. "I[illegible] to be all pervasive," M[illegible] says.

"The next big challenge for us is to make our consulting business really international," Mr Batchelor says. With business executives developing a more global outlook and national barriers crumbling, accountancy-based consultancy will inevitably become more international too, he says.

Michael Skapinker

Small businesses

Accountants hog most of the action

MANAGEMENT consultants have traditionally viewed the large corporation or government department as the natural market for their skills. Only large organisations needed the sort of in-depth advice the consultant was geared to provide and, equally importantly, only the big outfits could afford to pay for it.

This picture is now starting to change. Members of the Management Consultancies Association - 29 of the largest firms accounting for 60 per cent of consultants' fee income - reported that 17 per cent of their clients in 1986 were small businesses - firms employing fewer than 25 people. This was a sharp increase on the 4 per cent figure of the year before.

The small firm's share of fee income will be considerably lower than this, of course, but these figures probably understate the growth of the importance of the small firm to the consultancy industry. The smaller consultants, with fewer than 15 professional staff each, who are not members of the MCA, probably do more business with small customers than the larger organisations.

There is certainly anecdotal evidence to support the view that demand for consultants' services has grown among small firms. When the Government launched a programme to provide subsidized marketing advice to small firms late last year, more than 1,200 applications came in within the first few months and a long waiting list built up.

And yet, while the MCA figures record an overall growth in small firms' business, it is the accountancy firms which appear to be hogging most of the action. They have been broadening the range of services they provide to business in recent years and have lighted upon consultancy as a useful area for expansion.

The established management consultancy firms are still geared up in terms of internal organisation and fee structure to serve the larger client.

Mr Paul Thornton, marketing director for Europe at PA, Britain's leading management consultancy, estimates 75 per cent of his firm's business is with larger organisations - those with turnover of £100m or more. The amount of work carried out for smaller clients (and £100m is very large in "small company" terms) will grow in absolute terms but will decline as a percentage of PA's workload in future, he says.

"The main reason is that large firms are increasing their demands and we are restricted in the availability of good staff," he notes.

The accountants, in contrast, see management consultancy as a natural extension of their existing audit and general advisory work with small clients. Not that most accountants would claim that what they provide fits the traditional definition of full-scale consultancy work.

"A consultant can recognise a six-month assignment to a government department as worth taking on," says Mr Colin Wright, partner in charge of business services at accountants Peat, Marwick, McLintock. "We might spend one or two hours kicking an idea around with a client or an afternoon or two helping him lay out a new production line in his factory."

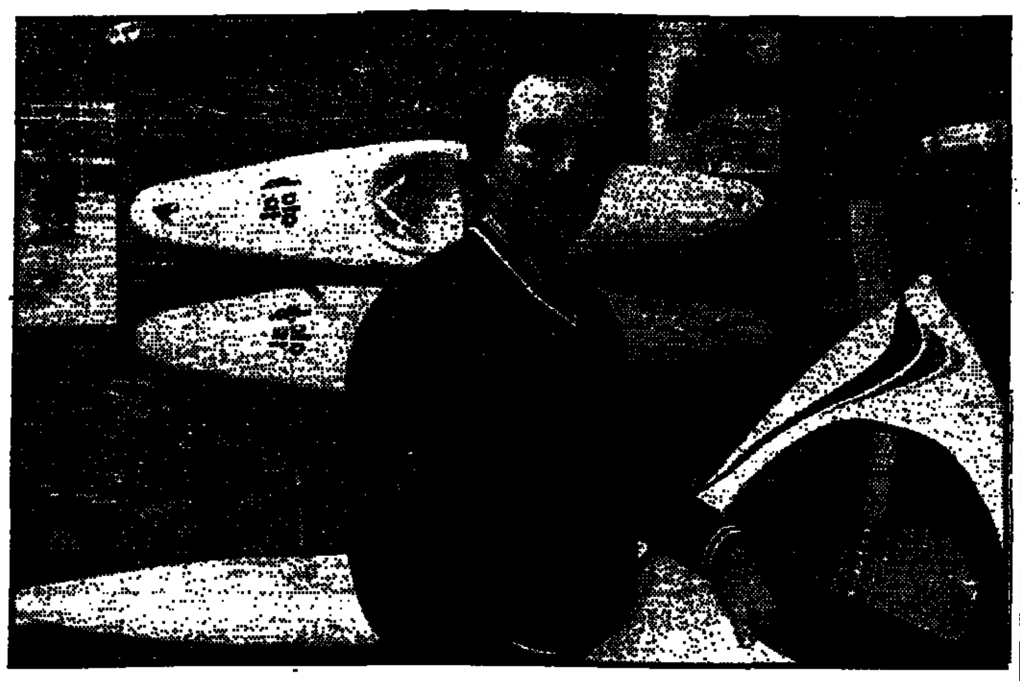
He characterises assignments of this type as "quick and dirty projects".

"We sell a lot of general advice and work with people for a day or two to get their ideas straight," says Mr Nick Pasricha, partner in charge of small firms at accountants Arthur Young.

The art of dealing with small businesses lies in breaking down the advice into small, manageable packages, so the client can relate to it and afford to pay for it, the accountants say.

This means recruiting and training staff to meet the small firms' needs. Staff with a financial background are trained as generalists who can help with the broad range of small business problems. They are backed up by small numbers of specialists if more detailed advice is required.

While accountants' fees are lower than those charged by management consultants, they must still persuade the small business that their advice is worth paying several hundred pounds for.



Graham Mackereth, managing director of Pyranha Mouldings, a Runcorn-based company with £1m of turnover, reckons advice he received under the Government's marketing support scheme helped him recently win an Army order for 1,000 of his polyethylene canoes.

Mr Mackereth says he was advised to split his products into professional and amateur ranges; to give the two ranges different names; and to price accordingly.

To win the Army contract Mr Mackereth highlighted the special safety features of his more expensive range. The company paid £1,440 for the advice of a consultant who specialised in the marine industry.

To give maximum value for money, Peats aims to crack 95 per cent of the problem in a fraction of the time it would take to go on and polish the remaining 5 per cent, says Mr Wright.

"What is it worth to the businessman to define his problem and make it go away?" he says. "It is worth paying a few hundred pounds to solve a problem which has taken on a dimension out of proportion to its merits and led to sleepless nights."

Small clients are generally charged in the same way as large ones - on a time basis - though Arthur Young says it is moving towards payment by results. "If there is no strong conclusion as a result of our advice, we wouldn't charge as much," says Mr Pasricha.

Requests from small businesses for advice about technology are frequent. "We have noticed a dramatic increase in the use of technology by small firms," says Mr Michael Grunberg, partner in charge of management consultancy at accountants Stoy Hayward. "Small companies are taking advantage of micro-computer-based networks to install things like advanced telephone systems. It's surprising because you would think they would have limited budgets."

PA says it too is surprised by the frequency with which its technology division is called in by small companies to speed up the development of new products. The advantage of bringing a product more rapidly to market can more than offset the extra cost of calling in a consultant, says Mr Thornton.

Recruitment and executive search is also a common area for consultancy. Growing small firms will need to strengthen their management teams but lack the skills to do it themselves. Recruiting a financial controller or a finance director becomes necessary for the small firm which has previously depended on an outside accountant or its own managing director to crunch through the figures.

Expanding small firms may be too small to be of interest to the venture capital funds. They often turn to consultants to help them bridge the "equity gap" for amounts below £250,000. And advice is frequently sought on marketing: small firms often need help to identify and attack new markets.

Despite growing evidence that small firms have an appetite for management consultancy services, the rate of growth will depend very much on the continuation of government subsidized schemes like the one introduced last September for marketing advice.

The decision last April to drop the Productivity element of the Business and Technology Advisory Services support scheme, which helped firms with technical innovation, has had a major impact on the use of consultants, says Mr Grunberg. Stoy Hayward was helping 50 small firms a year under this scheme but expects numbers to drop off because small companies cannot afford to meet the full bill without subsidy.

Inbucon, one of the larger management consultancies, helps small firms in Scotland under a scheme subsidised by the Highlands and Islands Development Board. Mr Dennis Henry, Inbucon's Scottish regional director, agrees that such small projects would not be attractive to his organisation but for the backing of the board.

The accountants may be making the running at the moment in signing up small firms' business, but as the small company grows it becomes more able to pay for traditional in-depth consultancy work - whether from the accountancy firms or the traditional consultancies.

"It is a natural transition for them to use mainstream consultancy," says Mr Pasricha. "They have already made what is the big jump for many small businesses by calling in an outside adviser in the first place."

Charles Batchelor

Recruitment consultants

Counting the heads

WORLDWIDE, consultants have a reputation for looking on the bright side even when the portents are less than propitious. "When you ask them how's business," says Jim Kennedy, US publisher of Consultants' News and long-time observer of the international consultancy trade, "they typically say: 'Fine! But *we're* not worried.'"

Those in the UK, however, at present seem to have no need to force themselves to be optimistic. For the omens suggest that consultancy services can look forward to buoyant demand.

One such sign lies in the counts of advertised job-openings for managers and high-grade specialist workers which are made every three months by the MSL International consultancy, now part of Saatchi and Saatchi. Since the counts began in 1959 they have indicated that UK demand for executives and top specialists moves in cycles: a continued rise over about four years is followed by an unbroken drop over a similar length of time.

As the most recent continued upswing gave way to a fall in mid-1985, MSL's trend-watchers were gloomily predicting that the market would keep declining until 1989. But during January-March this year the demand unprecedentedly broke the cyclical pattern by turning up, and did the same surprising thing again in April-June.

Unfortunately, the bounce-back did not betoken improved job-getting prospects for all managers and specialists. Demand for most categories of them had continued to fall as expected. The upturn was due entirely to increased recruitment of just two broad types.

One was finance and accountancy staff, who were wanted by employers in a wide variety of industries. This was presumably to replace financial people lured by princely rewards to work in the City in the wake of last autumn's "Big Bang". The other group enjoying increased demand consisted of a miscellany of specialists such as operational researchers and corporate planners. Almost without exception, they were being sought by consultancies.

The consultancy trade is gaining from a desire by companies, especially successful new ventures, to keep down their numbers of permanent staff. There is a growing tendency to employ full-time only the minimum of people directly needed to provide and sell the company's products, and to manage those central activities profitably. Other operations now tend to be subcontracted to part-timers or, where expertise of a professional level is required, to external consultants.

The specialist field in which there is the firmest evidence of the trend to subcontracting is personnel work. A research study, based on questionnaires completed by people responsible for such work in 350 British businesses and public-sector concerns, was recently published by the Institute of Personnel Management*.

The study found that reliance on external consultants for personnel services "is substantial and increasing" in all types and sizes of organisations. Moreover, the farming-out was mainly growing not in the odds and ends of personnel work, but in key activities such as recruitment, selection, and training.

In recruitment and selection, in particular, the use of consultants may well be even greater than the study indicated. Follow-ups showed that when the 350 organisations' in-house personnel staff were asked to list tasks that had been subcontracted, they tended to forget about farmed-out work that was done largely away from their organisation's own premises.

The recruitment branch of consultancy is no simple thing. Some members of the branch work exclusively by offering posts to all-comers through advertisements; some confine their approaches to individuals previously identified as likely to fit the job; others use both methods.

There are sub-divisions, too. One type of advertising-based operator only designs and places the ads, collects the replies, and sends them to the client employer to be sifted. Another type goes farther, winnowing down to a short-list of evidently suitable people.

The "executive searchers" specializing in the individual-approach method also come in different strains. "Retainer" searchers insist on a handsome sum in return just for seeking candidates, only a small part of the charge being dependent on their successfully filling the job. The "contingency" variety will accept payment solely on results.

Nobody knows for sure which of the two main types - advertising-based or search operators - is doing the better out of the growth in subcontracting. But the Institute of Personnel Management's report indicates that the use of search is concentrated more heavily than the advertisement method on recruiting for higher-level jobs.

What appears certain is that employers are tending to keep all types of external recruiters on a tighter rein than search specialists, at least, were on in previous years. The days are going when searchers could expect to be personally appointed by the chief executives of client organisations, and thereafter report to the very top.

The Institute's study shows that there is emerging a new breed of in-company heads of personnel who, unlike their predecessors, see their specialist responsibilities as secondary to their role as business managers. They are consequently loath to risk weakening themselves politically in their organisations by surrendering power over senior level recruitment.

As one of the new breed who took part in the study observed: "Consultants can take over your role. They can come into the company and make contact with your managing director... and you can lose control if you're not careful."

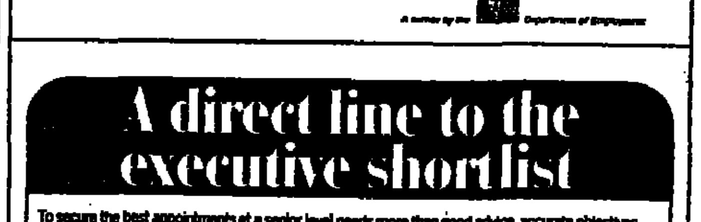
But if the subcontracting trend causes in-house personnel bosses to work less as specialist experts than as chief buyers of external services, they will surely need more than political skill to ensure that their company shops wisely on the outside market.

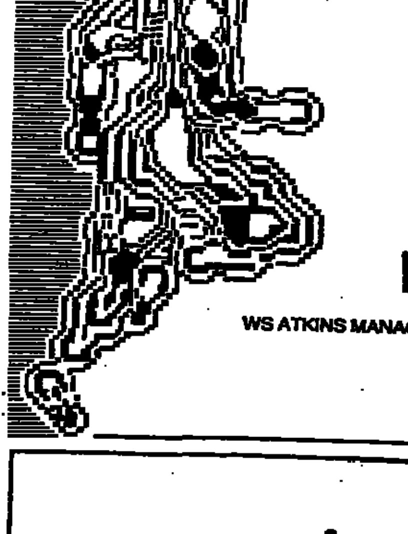
They will have to be sensitively aware of which broad approach is best suited to recruiting for a particular job. They will also need to consider the numerous detailed selection methods that are available for use within the broad approach, and of the likely effectiveness of the many different consultants who can be hired to use them.

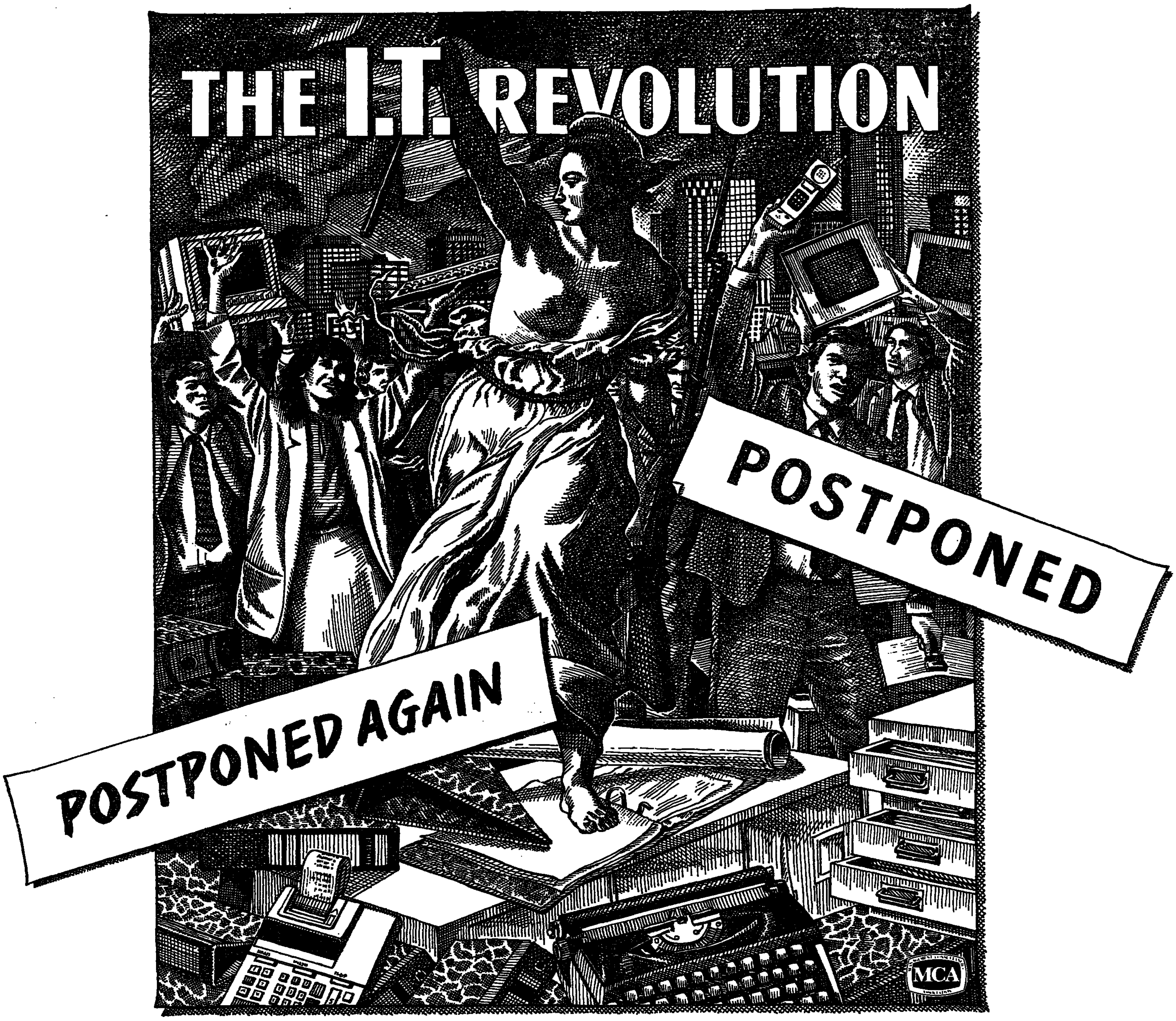
Given the complexity and variability of the external market, we may even see a further development - companies filling their top personnel jobs from the ranks of recruitment consultants. After all, it has often been said that nobody makes a better gamekeeper than a former poacher.

* *The changing nature of personnel management, by L Mackay and D Torrington. IPM (Camp Road, London SW19 4UW), £20.*

Martin Dickson







Tomorrow. Will it always be a day away?

Promises. Promises. Revolutionary changes in I.T. have been made. But always late. And the brave new world isn't as perfect as perhaps it could be.

Five years ago, the biggest of the many problems dp managers faced was meeting project deadlines.

It still is. So what's happening? Or rather not happening?

We are certain that the best way to find out is to ask the people most intimately involved. So every year we ask the dp managers of 750 UK organisations.

Our findings are published in the annual Price Waterhouse Information Technology Review – read this year by over 20,000 people already.

It's a prime example of our attitude of wanting to understand rather than just guessing.

Of course, we don't have all the answers. Nobody does. But our team of specialists constantly search for that deeper understanding and insight into I.T. and systems implementation. This helps us to find solutions, technical or otherwise, that work – profitably and on time.

For further information about our I.T. services and for your copy of our Information Technology Review, write to Pat Kiernan at Price Waterhouse, No. 1 London Bridge, London SE1 9QL.

But do it today.

Price Waterhouse

US consulting

Eat or be eaten

DR DANIEL YERGIN STARTED Cambridge Energy Research Associates (Cera) in 1982, after oil prices had peaked but, he recalled, "there was a sense that Opec would hold things together". Since then, the Massachusetts-based consulting group has seen oil prices plunge but its own business burgeon from an initial staff of 2 to 35 today.

Though oil lost its focus as the primary factor in international trade and economics, Dr Yergin has positioned Cera to advise financial institutions and industrial corporations as well as oil companies. As he says, energy prices are "interconnected with the strategic planning any company has to do".

Cera produces reports for James Capel in London and management consultants Arthur Andersen, as well as publishing for clients its own quarterly World Oil and Natural Gas Watches, Private Reports and Decision Briefs.

While still very much concentrating on the energy sector, Dr Yergin has also advised Japanese companies on how to make direct investment in America without friction, an issue that goes beyond, but also includes, energy.

Seeing opportunities as extensions of existing business may be an area management consultants tell clients about, but it is also an important aspect of their own futures. Management consulting has slowed its overall income growth to about 15 per cent a year, according to James H Kennedy, the editor and publisher of Consulting News, the industry newsletter.

Growth has tended to come recently from acquisition, which puts American consulting groups in a predatory phase of eat or be eaten. Rodman L Drake, managing director of Cresap, McCormick and Paget, a division of the second largest consulting group, Towers Perrin, Forster & Crosby, says: "There will be two or three major companies in our area of advising top management and we intend to be one of them."

With Tower Perrin's financial strength behind it Cresap has doubled in size in the past five years, buying consultants in Toronto, for instance, to open a Canadian practice. Towers' parent, which specialises in advising on pensions, employee-benefits and insurance, has itself grown steadily to the point where it follows only Arthur Andersen as the largest American consulting group, with revenues in 1986 of $380m compared with Andersen's $635m.

One of Cresap's major areas of growth has been in corporate restructuring and slimming-down. What a corporation may do under pressure of takeover through investment bankers' quick redeployment of assets, a management consultant will try to achieve in several months, using the commitment of a corporate chief executive instead of a predator's threat.

Running up to half-a-dozen such programmes at a time, Cresap has combined acquisitions with internal expansion, thanks in part to the time-consuming and personnel-consuming restructuring work. These three-to-six month assignments use as many as half a dozen Cresap consultants working full time as part of a client's restructuring programme. Cresap sets up task forces it participates in, but insists the client puts its own personnel in as well.

Supermarkets increasingly have on-premises baking and delicatessen counters fighting packaged goods which grab added value

Major corporate restructurings may seem particularly suited to the co-operative approach, where only an insider would know which employees to keep, retrain or let go. But even in the logistics field, the once-unglamourous area of warehousing, delivery and physical distribution, consultants insist on teamwork with the client.

Jim Spira, president of Cleveland Consulting Associates (CCA), which specialises in physical distribution, says: "We don't work as "outside experts" who come in, do a job and then leave the clients with a thick report of recommendations they lack the resources to act upon. Instead, our people and the clients' staff work together, from the early problem-definition phase right through to implementation of long-term business and technical solutions."

CCA, a 13-year-old Ohio-based consultancy with a staff of 70, has become part of the field's consolidation, having been bought earlier this year by Saatchi & Saatchi. The Saatchis' interest also reflects a growing concentration on, and new recognition of, the importance of logistics in matching suppliers and customers.

The field ranges from drug distributors that now let retail druggists type orders direct into their warehouses via computer, to routeing deliveries through crowded streets in the most efficient way. These advances in logistics depend on computers, but Robert Munro of AT Kearny claims that sometimes the best logistics use low-tech solutions.

Jim Kennedy of Consulting News notes that the consulting field has "come full circle, returning now to an emphasis on production and manufacturing, where consulting began in the 1920s". Having passed through phases of advising on marketing, strategic planning and market share, consultants now are improving efficiency.

For logistics, the Japanese "just-in-time" method of distribution began a rethinking in the field that has now been extended to cover a company's whole approach to customers and suppliers. Deregulation of the American trucking industry in 1980 also encouraged a rethink that increasingly sees customers expecting delivery at precise times in the day.

Robert E Sabath, vice president and director of the logistics practice at AT Kearny, notes that his work for clients often begins by surveying their customers "to define the service required. We find that the customers usually want less costly but also differently-arranged services. That then backs into questions of types of products, volumes, cycle time, order, ship, packing, equipment and procedures."

He sees in the supermarket and packaged food businesses the makings of a major "turf battle over who gets the added value". Supermarkets increasingly have on-premises baking and delicatessen counters fighting packaged goods which grab added value with whole meals in a container.

Management Horizons, a consulting division of accountants Price Waterhouse, is helping retailers apply Direct Product Profitability as a more sophisticated form of cost management. Retailing has become the focus of much of the recent work because of the continuing proliferation of products. This underlines the move to manufacturing and production consulting, as the field consolidates and goes back to basics.

Frank Lipsius

Financial services

Demand for strategy

THE UPHEAVAL in the financial services world has left consulting firms turning away work. There are relatively few that are recognised specialists in the market - and outsiders will find it hard to establish their credentials.

"I think the demand is there to support another rival or two," says Mr Norman Bernard, a partner with Booz Allen, which is still enjoying the boom, despite the well-publicised loss of a number of its specialists. "We turn a lot of the smaller jobs away," agrees Mr Vernon Ellis, head of Arthur Andersen's UK consulting operations.

McKinsey, Booz Allen and Boston Consulting Group are the recognised leaders in the market. The large accountancy firms and systems houses, meanwhile, have built a market share through their systems expertise.

"They are the plumbers and the mechanics, not the architects," says Mr Chris Batt, one of those who defected from Booz. It is an image that the accountants are trying to fight off.

Ironically, Mr Batt is himself now with accountants Spicer & Pegler - though the firm's approach to financial services consulting is poles apart from other firms.

Strategic advice has been greatly in demand. The convergence of commercial banking, securities dealing and advisory services in a number of centres has forced every provider of financial services to take a fresh look at where they are heading.

The signs are that the thinking behind the rapid growth of some financial services businesses in recent years was not right. The merger of British merchant bank Hill Samuel with the TSB banking group was an admission that Hill Samuel had been wrong to try to build a full-service securities and banking operation.

Others have pulled out of certain markets in the face of extreme competition. At one end of the scale, Lloyds Bank abandoned its Eurobond business in London, while at the other, the giant Salomon Brothers announced that it would pull out of a number of the US's cut-throat debt markets as part of a refocusing of its operations.

Observers are now waiting to see which institution will be next to swallow its pride and admit it was wrong.

London is the favoured location for such an announcement: the rapidity with which the City's stockbrokers and traders were snapped up when bars on ownership were lifted in April 1986, suggests that too few buyers thought through their strategies, say the consultants. According to Mr Alan Morgan, head of McKinsey's UK financial services practice, the second wave of the City's restructuring is just getting under way.

Needless to say, the consultants are coy about taking any blame for the strategic mistakes. More use of their services, rather than less, would have prevented some of the bust-ups, they say. "It strikes me that some of the players didn't use consultants, didn't think it through, didn't learn from the US experience," says Mr Bernard.

As a result, most British institutions will find themselves caught between two stools, he says. They are not large enough to take on their international competitors, but too broad in their scope to carve out any strong niches.

They have a tough decision to make: to strip themselves of the unnecessary parts of their business, concentrating on their strengths, or to find a larger partner. "It is a decision that comes very hard to managers," says Mr Bernard. "I think we will see many more of these heart-searching decisions being made."

Strategic work leads naturally to advising about how institutions should be organised and how they should operate. The "strategy" consultants look to these areas for much of their work. In one of the few such jobs to become public, Spicer & Pegler was called in by Morgan Grenfell at the beginning of the year, to sort out the bank's organisation and operations following a succession of scandals.

At the opposite end of the consulting spectrum, the systems demands imposed by the changes in the financial services industry has given the accountants plenty to get their teeth into. While the wholesale banks integrate their international networks and grapple with the reporting problems of new financial instruments, the retail banks are learning new techniques as retail financial services become increasingly competitive.

London's upheaval in the past 18 months has produced "an enormous effort" by the systems experts, says Mr Vernon Ellis, head of the London operations of Arthur Andersen, the largest consultancy in this area.

But the work is far from over. Many systems were put in place "very, very quickly" - giving rise to immense teething problems in some cases, says Mr Ellis. Around 40 per cent of Andersen's business is in the financial services sector.

Andersen is using its systems base to expand into other consultancy markets. Creating global management information systems, for instance, gives the firm a say in the wider issues of planning and strategy, says Mr Ellis.

Information technology is moving out of the back offices of financial institutions and now directly affects dealers and top management. "It raises some profound questions of organisational change," says Mr Ellis.

Andersen is following the software out of the backroom. As much as a half of the firm's work involves more than information technology, he says.

In another development, Andersen now offers to run computer facilities for clients. It claims at least one major banking client for which it is running all computing operations, pending the bank's move to new offices.

Vernon Ellis: turning away some smaller jobs

supply of consultants, headhunting is becoming rife. Spicer & Pegler, the accounting firm, gave the market a new dimension earlier this year when it acquired a team of eight consultants from Booz Allen, including the head of its European operations, Mr Chris Batt.

Booz, which claims it lost only four consultants, says it is unaffected by the loss. "We are billing more and doing a wider range of work for more institutions than when Chris was here," says Mr Bernard - though he admits that Batt's departure gave Booz some worries at the time.

"The demand for consultancy services is giving rise to a number of specialist consulting operations, of which Spicer's is the most prominent to date. It has set up a separate subsidiary, known as Spicer & Oppenheimer Consultants (the Oppenheim tag is used by Spicer's international accounting group).

Under Mr Batt, it plans to grow a small specialist team operating in the main financial centres. It will ship staff around the world, rather than seek to build domestic strength in each centre. Finance is an "amazingly homogenous industry", says Mr Batt.

S&O plans to grow its 40 staff to 100 in its three existing offices in London, Hong Kong and Singapore. New York and possibly Tokyo are the next targets.

But it plans never to employ more than 200 consultants. "If you get any bigger than that, you start to dilute the quality of work you do. The whole place becomes more monolithic and a lot less fun."

The firm plans to exploit what it calls the "European/Asian axis". The worldwide dominance of US consulting firms is not always in clients' interests, it believes. There is scope for a rival, European-based firm.

Mr Batt believes that the specialists are here to stay. He says of his competitors that "they have all lost their way. The era of the generalist is dead. To be pre-eminent, you have to focus."

Firms like McKinsey are unlikely to admit defeat so soon. Competitors need to establish "an ongoing bank of satisfied clients," says Mr Morgan. Until they have done that, and have gone through their own growing pains, they will be unable to challenge the established experts.

Richard Waters